

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
INFRASTRUCTURE STATE REVOLVING FUND (ISRF) PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Name of Applicant: North Tahoe Fire Protection District (District)	Requested Financing Amount:	\$10,000,000
Name of Project: North Tahoe Fire Protection District Public Safety Center Project (Project)	Requested Financing Term:	29 ¹ years
Project Address: 221 Fairway Drive Tahoe City, CA 96415	Interest Rate:	3.27 ² %
Leased Property Addresses: 288 Northshore Blvd., Kings Beach, CA 5425 W. Lake Blvd., Homewood, CA 159 Observation Drive, Tahoe City, CA 240 Carnelian Bay Road, Carnelian Bay, CA	Tier:	Tier 1
Project Description: The Project consists of the design and construction of a public safety center including administrative offices, training facilities/emergency operations center and 39 parking spaces on land leased from the Tahoe City Public Utility District. The Project includes drainage/storm water treatment systems to comply with water quality Best Management Practices for water runoff in the Lake Tahoe Basin and into the Truckee River as required by the Tahoe Regional Planning Agency.		
Use of Financing Proceeds: The proceeds from the I-Bank financing will be used for Project construction and the I-Bank origination fee.		
Source of Repayment: General Fund	Form of Financing Agreement: General Fund Lease Agreement	
Scoring Criteria:	Score	
Project Impact	30	
Community Economic Need	10	
Land Use/Environmental Protection/Housing Element	35	
Leverage	0	
Readiness	<u>10</u>	
TOTAL	85	
I-Bank Staff: John Belmont	Date of Staff Report: April 22, 2010	
Date of I-Bank Board Meeting: April 27, 2010	Resolution Number: 10-18	
Staff Recommendation: Staff recommends approval of Resolution No. 10-18 authorizing financing to the North Tahoe Fire Protection District in an amount not to exceed \$10,000,000 for the North Tahoe Fire Protection District Public Safety Center Project subject to conditions contained therein.		

¹ Term based upon weighted average useful life of assets financed by the ISRF Program loan.

² Rate is 67% of Thompson's Municipal Market Data Index for an "A" rated tax-exempt security with a weighted average life similar to the I-Bank loan as of April 1, 2010.

PROJECT DESCRIPTION

The North Tahoe Fire Protection District (District) requests ISRF Program financing for the design and construction of the North Tahoe Fire Protection District Public Safety Center Project (Project). The Project consists of the design and construction of: (a) a public safety center including administrative offices and training facilities/emergency operations center; (b) 39 parking spaces; and, (c) drainage/storm water treatment systems to comply with water quality Best Management Practices (BMP) for water runoff in the Lake Tahoe Basin and into the Truckee River as required by the Tahoe Regional Planning Agency (TRPA).

The Project will allow the District to replace and relocate existing Fire Station 51 (Station 51), currently located in central Tahoe City, and is needed due to operational and space constraints at Station 51. The Project will house the fire station and District administrative offices originally housed at the current Station 51, but also accommodate additional fire safety personnel, administrative staff and equipment, an emergency operations center (EOC), and additional apparatus bays. The Project will be located less than one-half mile from the existing location on a site less than one-quarter mile from State Highway 89 in Tahoe City, in the County of Placer (County) (Exhibit 1 – Project Location).

Project components are as follows:

Public Safety Center. Design and construction of a 20,262 square foot public safety center to include: Station 51, District administrative offices, and training facilities which will double as an EOC for use by multiple agencies during a disaster. Station 51 includes dormitories for male and female District fire safety personnel; fitness and meeting rooms; and a five double-deep bay equipment/vehicle garage and equipment storage area to accommodate additional emergency and forest fuels program vehicles (Exhibit 2 – Project Design). The Project also includes telephone and computer lines, lines, security systems, fire alarm systems, radio and alerting systems, data wiring systems, and a generator to supply power during power outages. Per the District's Fiscal Year 2010 Appropriations Request Form to the Office of Senator Dianne Feinstein (Feinstein Letter), the Public Safety Center will be equipped with solar technology and related equipment.

The Project will be located on 1.81 acres of undeveloped land on the north side of Fairway Drive (Site) with parking spaces on both sides of Fairway Drive (see Parking discussion below). The land is a portion of a 10.2 acre parcel owned and partially occupied by the Tahoe City Public Utilities District (TCPUD) offices. The District has executed a 60 year lease with a 30 year renewal option with the TCPUD for the Project. The use of the Site by the Project is compatible with existing land uses.

Parking. The Project includes construction of 39 parking spaces as required by the County. Eighteen parking spaces will be located on the Site adjacent to the Public Safety Center. An additional 21 parking spaces will be located on the south side of Fairway Drive adjacent to the TCPUD offices parking lot. TCPUD will grant an easement to the District to accommodate the 21 parking spaces.

Drainage/Storm Water Treatment (Drainage). Installation of permanent water quality treatment systems designed to comply with water quality BMP for water runoff in the Lake Tahoe Basin and into the Truckee River as required by TRPA, to prevent water quality degradation and to promote detention and infiltration of runoff.

Project Background

In its Financing Application, the District states that the Project will replace and relocate existing Station 51 which was built in 1961. The District states that Station 51 is obsolete in that it was designed for volunteer, all-male fire safety personnel rather than full-time, male and female fire safety personnel and thus does not have gender-based facilities. Station 51 is not compliant with the Americans with Disabilities Act (ADA), is not seismically outfitted to withstand a moderate earthquake, and is not large enough to house additional, modern apparatus (e.g., fire trucks, ladder trucks, and other emergency vehicles). Located on North Lake Boulevard, a busy thoroughfare in central Tahoe City, the District states that the existing site is hazardous to the public and fire safety personnel alike when fire safety personnel respond to an emergency.

The Project is designed to accommodate the District's permanent, full-time, male and female fire safety personnel on duty 24/7 and administrative staff. It will comply with ADA requirements and be constructed according to current earthquake standards. The Project will be located off a main thoroughfare (approximately one-quarter of a mile from State Highway 89), eliminating the pedestrian and vehicular hazard currently encountered when fire fighter personnel at Station 51 respond to an emergency.

The District's application indicates that during times of disaster emergencies, such as flooding in 1997, windstorms or blizzard conditions in the past few years, and the Washoe Fire in 2007, the District and surrounding areas become isolated due to terrain, high mountain passes, limited egress, avalanches, tourist traffic and severe weather. In the fall of 2008, the District participated in a Federal Emergency Management Agency (FEMA) funded drill (Drill) at the Burton Creek Sheriff's sub-station (Sub-station) which involved simulating a large earthquake at Lake Tahoe. From the Drill, the District learned that that the Sub-station was inadequate to mitigate the disaster. The Drill showed that the Sub-station was inadequate to accommodate the 30 emergency personnel needed for operations and had only three telephone lines. The District has designed the Project to accommodate staff from numerous emergency responders and to be equipped with telephone and computer lines and the latest technology needed to adequately serve as an EOC. The District's application states that the Project fulfills the District's requirement to build a Public Safety Center located in a critical response zone of the District and surrounding areas of Eastern Placer County.

The Project is also needed to support future economic development in the District. The District states that due to the fact that it does not have an aerial ladder truck or facilities to house such a truck, local construction projects are limited to buildings no greater than 30 feet high (up to three stories). However, the Project includes a bay specifically designed to house an aerial ladder truck and per staff's discussion with the District, developers and the Placer County Redevelopment Agency (RDA) will purchase the aerial ladder truck following completion of the Project.

In its Financing Application, the District states that the following development projects, each exceeding 30 feet in height, are currently in the planning process:

- Kings Beach LLC/Kings Beach Lakeside Resort—56,580 square feet development with a maximum height of 37 feet.
- BB LLC – Kings Beach Town Center—317,573 square feet development plus 130,610 square feet parking garage. Maximum development height of 59 feet.

- Homewood Village Resort—799,693 square foot development with a maximum height of 72 feet.
- Domus Affordable Housing Project—84,960 square foot development with a maximum height of 48 feet.

The Project further supports economic development through job creation as the District projects in its Financing Application that it will hire six additional Firefighter/Paramedics following completion of the Project.

Finally, District Resolution No. 14-2009 reflects that the Project is located in or adjacent to and directly affecting a Redevelopment Project Area and that the (existing) location of Station 51 is an incompatible and an uneconomic land use. The District states in its Financing Application that by removing Station 51 from its current location, several redevelopment goals will be addressed. Existing Station 51 is situated on County-owned property. The District states in its Feinstein Letter that the County will demolish existing Station 51 in preparation for redevelopment projects on the location. The demolition of Station 51 is consistent with the first element of the Placer County Redevelopment Agency (Agency) North Lake Tahoe Redevelopment Project Area Five Year Implementation Plan (2006-2011), Elimination of Blight, which is to eliminate blighting influences and correct environmental deficiencies in the redevelopment project area including, obsolete and aged building types and incompatible and uneconomic land uses, among other things.

PROJECT SOURCES AND USES OF FUNDS

The table below outlines the Project sources and uses:

Project Uses	Project Sources		
	I-Bank	District	Total
Construction & Contingency	\$6,570,300		\$6,570,300
Furniture/Fixtures/Equipment	\$463,222		\$463,222
Engineering/Design/Architectural/ Permits/Construction Management/Consultants/ Environmental Mitigation	\$2,881,478	\$501,960	\$3,383,438
Origination Fee	\$85,000		\$85,000
Total	\$10,000,000	\$501,960	\$10,501,960

Project Uses includes environmental mitigation measures consisting of restoration credits that the District is securing as a condition required by the TRPA. The District is securing the restoration credits, valued at \$501,960, from the California Tahoe Conservancy (Conservancy). The District and the Conservancy have entered into an agreement as of March 23, 2010 in which the District has agreed to a cash payment of \$47,000 to the Conservancy and the Conservancy has agreed to accept “In Kind” services from the District in the form of forest health and defensible space treatment projects on Conservancy land in the amount of \$454,960 in lieu of additional cash payment. The District will fund its “In Kind” services with its portion of an American Recovery and Reinvestment Act (ARRA) grant to The Nevada Fire Safe Council (Council). The Council consists of federal and state partners, insurance industry partners as well as fire departments, fire protection districts and volunteer fire departments. The Council was awarded a total grant in the amount of \$3,589,000, of which \$1,647,400 is allocated to the District.

ELIGIBILITY CRITERIA

The District and the Project meet all of the ISRF Program statutory and supplemental threshold eligibility criteria with the exception that the value of the essential assets to be the subject of the I-Bank lease is not equal or greater than the amount of the financing. See *Compliance with I-Bank Underwriting Criteria* for justification.

GENERAL DISTRICT INFORMATION

The District, an independent district operating under the State of California Fire Protection District Law of 1987, was formed June 29, 1993, as the result of a consolidation of the North Tahoe Fire Protection District and the Tahoe City Fire Protection District. The District is located on the north and west shores of Lake Tahoe and encompasses over 31 square miles of territory, including 25 miles of Lake Tahoe shoreline (Exhibit 3 – District Service Area Map). The District provides fire suppression, fire prevention, ambulance, emergency medical and rescue services, and all risk hazard mitigation to over 18,000 permanent County residents in the Lake Tahoe basin, and estimates it serves a population of over 75,000 persons during the tourist season.

The District operates under a board-fire chief form of government. The District's board is comprised of five members each representing one of the five zones within the District and are selected by registered voters by geographical region within the District's boundaries. Members of the board are elected for 4 year terms. The fire chief is the District's chief operating officer.

The District operates six fire stations; five of which the District owns and one that is leased from another fire district. The stations are located in Alpine Meadows, Tahoe City (Fire Station 51 to be replaced by the Project), Homewood, Dollar Hill, Carnelian Bay and Kings Beach. The District has 50 uniformed and support personnel. The varied demographics of the District require personnel to respond to emergencies in rural, suburban and urban settings. The wide diversity of emergency incidents requires fire safety personnel be proficient in wild land fire fighting, structural fire fighting, back country/technical rescue, swift water rescue, hazardous materials mitigation, and emergency medical services.

CREDIT ANALYSIS

Source of Financing Repayment

Source of Revenue to Repay Proposed ISRF Program Financing:	General Fund (Fund)
List outstanding General Fund Debt:	None
Type of Audited Financial Documents Reviewed:	<input type="checkbox"/> Comprehensive Annual Financial Reports (CAFR) <input checked="" type="checkbox"/> Basic Financial Statements (F/S) <input type="checkbox"/> Other: _____
Audit Years Reviewed: Fiscal Year Ends:	2006/2007, 2007/2008; 2008/2009 June 30
The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the District, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No. [If no...explain]
Adopted Budget(s) Reviewed:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Budget Year(s) Reviewed:	2009/2010

Comparative Balance Sheet Analysis

The comparative Governmental Fund Balance Sheet analysis for the General Fund for the last three fiscal years is as follows:

Governmental Fund Balance Sheet						
For Fiscal Year Ended (FYE) June 30,	2007		2008		2009	
Source:	Audited Basic Financial Statements	%	Audited Basic Financial Statements	%	Audited Basic Financial Statements	%
Assets						
Cash	\$94,471	4.8%	\$61,472	3.3%	\$239,528	10.7%
Investments	\$1,608,129	82.5%	\$1,137,266	61.2%	\$1,592,362	70.9%
Restricted investments	\$72,322	3.7%	\$47,559	2.6%	\$45,532	2.0%
Property taxes receivable	\$0	0.0%	\$344,711	18.5%	\$4,416	0.2%
Accounts receivable	\$142,909	7.3%	\$190,914	10.3%	\$101,578	4.5%
Grants receivable	\$0	0.0%	\$0	0.0%	\$141,165	6.3%
Other assets	\$30,343	1.6%	\$77,328	4.2%	\$120,826	5.4%
Total Assets	\$1,948,174	100.0%	\$1,859,250	100.0%	\$2,245,407	100.0%
Liabilities						
Accounts payable	\$21,549	1.1%	\$132,108	7.1%	\$187,189	8.3%
Accrued expenses	\$133,688	6.9%	\$247,692	13.3%	\$215,803	9.6%
Other liabilities	\$72,672	3.7%	\$53,409	2.9%	\$45,882	2.0%
Compensated absences	\$62,519	3.2%	\$75,481	4.1%	\$118,379	5.3%
Total Liabilities	\$290,428	14.9%	\$508,690	27.4%	\$567,253	25.3%
Fund Balance						
Restricted fund balance	\$246,825	12.7%	\$132,762	7.1%	\$54,875	2.4%
Unreserved fund balance	\$1,410,921	72.4%	\$1,217,798	65.5%	\$1,623,279	72.3%
Total Fund Balance	\$ 1,657,746	85.1%	\$1,350,560	72.6%	\$1,678,154	74.7%
Total Liabilities and Fund Balance	\$1,948,174	100.0%	\$1,859,250	100.0%	\$2,245,407	100.0%
Total Liabilities to Total Assets	0.15		0.27		0.25	
Total Fund Balance/Total Liabilities	5.71		2.65		2.96	

Total Assets increased \$297,233, or 12.26%, over the last three fiscal years (FY). Changes in Cash and Grants Receivable were offset by changes in Investments, Accounts Receivable, and Property Taxes Receivable.

Changes in Total Assets were also partially offset by changes in Total Liabilities over the last three fiscal years. For example, Accounts Payable increased in FY 2008 while Cash decreased.

Total Fund Balance was relatively flat over the three fiscal years, increasing \$20,408 from FY 2007 to 2009. In fiscal year 2009 Unreserved Fund Balance was \$1,623,279 and represented 72.3% of Total Assets. The General Fund is liquid with Total Fund Balance to Total Liabilities of 296%.

The Governmental Balance Sheet details current assets and liabilities, and how the District's services were financed in the short-term, as well as what remains for future spending. It does not take into consideration the adjustments made to assets and liabilities and for such items as Capital Assets, Long Term Debt, but provides a short-term view of the District's operations.

Comparative Revenue and Expenditure Analysis

The comparative Governmental Fund Revenue, Expenditures, and Changes in Fund Balance for the last three fiscal years are summarized below:

Governmental Fund Revenue, Expenditures, and Changes in Fund Balance						
For Fiscal Year Ended (FYE) June 30,	2007		2008		2009	
Source:	Basic Financial Statements	%	Basic Financial Statements	%	Basic Financial Statements	%
Revenue						
Taxes	\$6,225,425	78.6%	\$6,540,481	77.3%	\$7,376,254	74.5%
Ambulance services	639,450	8.1%	\$661,467	7.8%	\$768,290	7.8%
Service and contract fees	501,389	6.3%	\$792,572	9.4%	\$845,794	8.5%
Grants	382,800	4.8%	\$277,610	3.3%	\$777,066	7.8%
Mitigation fees	87,020	1.1%	\$82,655	1.0%	\$89,316	0.9%
Other	20,310	0.3%	\$2,773	0.0%	\$11,565	0.1%
Interest	67,313	0.8%	\$99,762	1.2%	\$33,592	0.3%
Total Revenue	7,923,707	100.0%	8,457,320	100.0%	9,901,877	100.0%
Expenditures						
Salaries and wages	3,315,099	41.8%	\$3,899,973	46.1%	\$3,924,481	39.6%
Employee benefits	1,934,961	24.4%	\$2,335,840	27.6%	\$2,388,058	24.1%
Maintenance and operations	654,902	8.3%	\$928,882	11.0%	\$1,269,108	12.8%
General and administrative	172,501	2.2%	\$291,567	3.4%	\$208,099	2.1%
Uniforms and supplies	251,565	3.2%	\$263,873	3.1%	\$339,892	3.4%
Utilities	89,487	1.1%	\$100,140	1.2%	\$81,813	0.8%
Professional fees	235,859	3.0%	\$415,488	4.9%	\$836,631	8.4%
Capital outlay	566,465	7.1%	\$259,959	3.1%	\$309,170	3.1%
Proceeds/(loss) on sale of assets	(120,000)	-1.5%	\$0	0.0%	\$0	0.0%
Debt service:						
Principal	166,009	2.1%	\$157,064	1.9%	\$175,841	1.8%
Interest	100,499	1.3%	\$111,720	1.3%	\$41,190	0.4%
Total Expenditures	7,367,347	93.0%	8,764,506	103.6%	9,574,283	96.7%
Revenues Over Expenditures	556,360	7.0%	(307,186)	-3.6%	327,594	3.3%
Fund Balances						
Beginning of the Year	1,101,386		\$1,657,746		\$1,350,560	
End of the Year	\$1,657,746		\$1,350,560		\$1,678,154	

The spreadsheet above reflects the primary source of revenue as Taxes which represent approximately 75% of the District's total revenue. The spreadsheet also reflects that Taxes have increased 18.5% over the three years presented. Review of the Final Budgets

submitted by the District found the largest sources of Taxes are Current Secured Property Tax (approximately 56% of Taxes in FY 2009-2010) and Special Tax (approximately 30% of Taxes in FY 2009-2010).

In its June 30, 2007, Basic Financial Statements (BFS), the District states it passed a special tax in 2005 (Special Tax) to rebuild unrestricted reserves as a “rainy day” fund and to designate restricted reserves for refurbishing and replacing District apparatus and fire stations. The June 30, 2008 BFS states that Special Tax funds have also been allocated to maintain staffing levels, training and equipment. Per staff’s discussion with the District, the Special Tax continues in perpetuity and has no restrictions on use. The Special Tax has provisions for an annual adjustment tied to the San Francisco-Oakland-San Jose consumer price index and will increase by 0.8% and does not sunset. Special tax revenues were included in the analysis since they may be used to offset operating expenses freeing revenue for debt service.

Another component of Taxes is the Fire Suppression Assessment (Assessment) adopted November 14, 2007 per Resolution 17–2007, which the District began collecting in FY 2008-2009. The North Tahoe Fire Protection District, Fire Suppression Assessment, Engineer’s Report for Fiscal Year 2008-2009 states that the Assessment will provide revenues dedicated to fund fire suppression services, salaries and benefits for firefighter personnel, and fire suppression equipment and apparatus as allowed under Government Code 50078 et seq. and the California Constitution Article XIID. The Assessment also has provisions for an annual adjustment tied to the San Francisco-Oakland-San Jose consumer price index and will increase by 0.8%. The Assessment revenues were included in the analysis since they may be used to offset operating expenses freeing revenue for debt service.

In addition to an increase in Taxes, Ambulance Service fees increased. The increase is due to a change in accounting method which increased the period of availability of ambulance revenues from 60 days to 90 days. The increase in contract revenue is also attributed to a revised contract with Alpine Springs Water County District and increased strike team revenues.

Expenditures increased approximately 30% over the three years analyzed with increases in virtually every category. Increases in payroll and benefit expenses accounted for a little more than 48% of the total increase in expenditures. The categories Professional Fees and Capital Outlay are also noteworthy. The District stated that \$580,917 in Professional Fees and the entire Capital Outlay in FY 2009 are expenditures directly related to the Project.

Total General Fund Annual Lease Payments in the amount of \$669,667 exceed fiscal year (FY) 2008-09 Revenues over Expenditures. The District explained that in FY 2008-09, \$580,917 in Professional Fees expenditures and the entire Capital Outlay expenditure of \$309,170 were one time expenditures directly related to the Project. The following calculation displays the District’s ability to budget the proposed lease payment.

2008-09 Revenue over Expenditures	\$327,594
Add back 2008-09 Project-related Expenditures ³ :	
Plus Professional Fees attributed to the Project	\$580,917
Plus Capital Outlay attributed to the Project	<u>\$309,170</u>
Total 2008-09 Revenue over Expenditures Available for Debt Service	\$1,217,681

³ The I-Bank financing will be refunding these Project costs.

With the add back of Project-related 2008-09 expenditures, the District's Total 2008-09 Revenues over Expenditures are sufficient to pay the proposed ISRF Program lease payment.

Assessed Valuations and Top Twenty Secured Taxpayers

The following table demonstrates that secured assessed valuation within the District have continued to increase over the last five years.

NORTH TAHOE FIRE PROTECTION DISTRICT					
Assessed Valuations					
	Local Secured	Utility	Unsecured	Total	% Change Local Secured Valuation over Previous Year ⁽¹⁾
2009-10	\$ 5,343,214,078	\$ 1,061,818	\$ 87,417,633	\$ 5,431,693,529	4.7%
2008-09	\$ 5,103,235,332	\$ 1,434,726	\$ 100,518,192	\$ 5,205,188,250	6.3%
2007-08	\$ 4,801,046,065	\$ 1,434,726	\$ 99,329,158	\$ 4,901,809,949	9.8%
2006-07	\$ 4,372,422,428	\$ 1,434,726	\$ 91,599,674	\$ 4,465,456,828	10.2%
2005-06	\$ 3,968,450,106	\$ 1,434,726	\$ 87,339,592	\$ 4,057,224,424	n/a
Source: CalMuni					
⁽¹⁾ Calculated by staff.					

The following table presents the assessed valuation for the District's top 20 secured taxpayers in FY 2009-2010. Valuation for the largest secured taxpayer, Homewood Village Resorts LLC, represents 0.65% of the District's total assessed valuation. The total assessed valuation for all top 20 secured taxpayers is 5.43% of the District's total assessed valuation. The secured properties include a variety of uses: commercial, retail, residential, and recreational. There are no concentration issues within the District.

NORTH TAHOE FIRE PROTECTION DISTRICT				
Largest 2009-10 Local Secured Taxpayers				
Property Owner	Primary Land Use	Assessed Valuation	% of Total ⁽¹⁾	
1 Homewood Village Resorts LLC	Ski Resort	\$ 34,646,144	0.65%	
2 Kevin & Michelle Douglas, Trustees	Residential	\$ 20,000,000	0.37%	
3 Daniel W. & Devon M. Morehead, Trustees	Residential	\$ 18,037,080	0.34%	
4 Tahoe CRT LLC	Residential	\$ 16,981,691	0.32%	
5 Ray & Dagmar Dolby, Trustees	Residential	\$ 16,866,757	0.32%	
6 Nathan L. Topol	Residential	\$ 16,180,005	0.30%	
7 Safeway Inc.	Shopping Center	\$ 16,085,187	0.30%	
8 Robert A. & Carole J. McNeil, Trustees	Residential	\$ 15,325,303	0.29%	
9 Robert E. Challey, Trustee	Residential	\$ 15,309,704	0.29%	
10 William D. & Denise P. Watkins, Trustees	Hotel	\$ 14,905,086	0.28%	
11 Marcia N. & Harold M. Messmer, Jr., Trustees	Residential	\$ 13,241,673	0.25%	
12 M. David & Diane B. Paul	Residential	\$ 12,606,441	0.24%	
13 Abigail W. & Joseph P. Baratta II	Residential	\$ 10,578,130	0.20%	
14 William F. & Janet M. Cronk, Trustees	Residential	\$ 10,496,088	0.20%	
15 Red Wolf Lakeside Lodge LP	Hotel	\$ 10,329,517	0.19%	
16 Willem George C. & Norma Mildred T. Parson	Residential	\$ 10,166,036	0.19%	
17 Giovana Family Trust	Residential	\$ 9,944,140	0.19%	
18 Steven Lee & Michele Content Brown, Trust	Residential	\$ 9,921,204	0.19%	
19 Donald Ray & Carol Diane Scifres, Trustees	Residential	\$ 9,568,076	0.18%	
20 Stuart D. Corvin, Trustee	Residential	\$ 8,858,976	0.17%	
Total Assessed Value of Largest 2009-10 Local Secured Taxpayers		\$ 290,047,238	5.43%	
Source: CalMuni				
⁽¹⁾ 2009-10 Local Secured Assessed Valuation: \$5,343,214,079				

Existing Debt

The following table lists the current indebtedness of the Fund as reported by the District in its application:

Outstanding Debt	Original Issue Amount	Balance	Total Annual Payments	Maturity
Kansas State Bank of Manhattan	\$233,795	\$193,086	\$53,667	5/1/2012
I-Bank proposed loan estimated and rounded for a 29-year lease @ 3.27%	\$10,000,000	\$0	\$589,412	8/1/2038
TOTAL	\$10,233,795	\$193,086	\$643,079	

Kansas State Bank of Manhattan represents long term obligation in the form of a Lease with Option to Purchase Agreement (Lease Option) secured by a fire engine.

Budgeting

Staff reviewed the Final Budget (Budget) for FY 2009-2010. The Budget states that property and voter approved taxes represent about two-thirds of District revenue. The District estimates 3.5% property tax growth for FY 2009-2010.

Voter-approved special tax and property owner-approved fire suppression assessment are two additional sources of revenue. Each has provisions for an annual adjustment tied to the San Francisco-Oakland-San Jose consumer price index and will increase by 0.8%.

The Budget states that the State of California's (State) adopted budget includes a provision for the suspension of Proposition 1A which means that the District will experience an Educational Revenue Augmentation Fund (ERAF) shift to the State which results in the District receiving 8% less from the State than in prior years. To assist local government to bear this burden, the State initiated a securitized borrowing program (Borrowing Program). The Fire Chief stated that the District participates in the Borrowing Program, which allows the District to borrow up to 100% of the property tax dollars shifted to the State.

Staff's review of the Budget finds that Total Revenues and Total Expenses are consistent with historical Total Revenues with slight increases in each. Total Expenses include an allocation in the amount of \$717,000 for station relocation.

Leased Assets

The District proposes to lease to the I-Bank the land and buildings of the four remaining fire stations owned by the District (Leased Assets) pursuant to a lease-leaseback agreement with the I-Bank. The following table presents an estimate of leased asset value and summarizes other data on the proposed Leased Assets:

ESTIMATE OF VALUE OF LEASED ASSETS					
Fire Station #	Address	Year Built	Total Square Feet	Estimate of Value	
52	288 Northshore Blvd. Kings Beach, CA	1956	23,169		\$ 3,334,500
				Land	\$ 736,338
				Total	\$ 4,070,838
53	5425 W. Lake Blvd., Homewood, CA	1962	15,681		\$ 1,039,500
				Land	\$ 498,395
				Total	\$ 1,537,895
54	159 Observation Drive, Tahoe City, CA	1964	10,625		\$ 1,357,200
				Land	\$ 337,698
				Total	\$ 1,694,898
55	240 Carnelian Bay Road, Carnelian Bay, CA	1962	11,250		\$ 1,737,000
				Land	\$ 357,563
				Total	\$ 2,094,563
Total Value					\$ 9,398,194
Financing Amount					\$ 10,000,000
Value Leased Assets to Financing Amount					94%

Source: ISU Insurance Services and MLS data from Finnegan Appraisals

Building values as stated in the table above are the insured values provided to the District by ISI Insurance Services, Inc. as of August 4, 2009. Staff calculated land values based upon Multiple Listing Service (MLS) data of 25 land sales from January 2008 to September 2009 in the Tahoe City area, provided to the District by Finnegan Appraisals, a local real estate company. The District told staff that the values provided were the best available estimates of value. When analyzing the land, staff considered proximity to the nearest fire station, sales dates, sales prices, and parcel size and zoning. Parcel size ranged from 5,663 SF to 87,556 square foot; parcels were zoned for public service, commercial lots, and residential lots all located within the District. Staff determined that the most reasonable estimate of land value was the average sales price for all 25 land parcels, \$31.78 per square foot. Such value multiplied by the Total Square Feet of each proposed leased asset is reflected as "Land" in the above table and used to estimate the current value of each of the proposed leased assets.

The resulting total value of the leased assets is approximately 94% of the requested financing amount. In the case of an asset transfer lease, the ISRF Program Loan Underwriting Criteria calls for the value of the leased assets to be equal to or greater than the proposed financing amount. However, both the I-Bank credit staff and the I-Bank legal staff determined that the value of the proposed leased assets as reflected in the above table is acceptable. Staff also contacted Moody's, as allowed under the Criteria, Priorities and Guidelines, and obtained a letter dated April 26, 2010, in which Moody's Investor's Service (Moody's) states that, "we have determined that this factor in and of itself will not have a negative impact on the Infrastructure State Revolving Fund Program's bond rating."

A preliminary title report (Title Reports) as of September 16, 2009, for each of the four fire stations was provided by Stewart Title of Placer. Review of the Title Reports finds that each

fire station is owned by the District and unencumbered. No unacceptable exceptions were noted in the Title Reports.

The District completed a Comprehensive Environmental Survey as of November 13, 2009 for each Fire Station #52, #53, #54 and #55; no environmental issues were noted.

Compliance with I-Bank Underwriting Criteria

Debt Service Limitation: Total debt service obligations (inclusive of the I-Bank's loan) of the general fund is less than 15% of general fund revenue, calculated as follows:

Fiscal Year 2008-09 Total Revenues	\$9,901,877
	<u>x 15%</u>
15% of Total Revenues	\$1,485,282
Existing General Fund Annual Lease Payments	\$53,667
Proposed General Fund Lease Payment	<u>\$589,412</u>
Total General Fund Annual Lease Payments	\$643,079
Percentage of Debt to Total Revenues	6.50%

Essentiality of Leased Assets: The Leased Assets consists of four of the District's fire stations and provide essential services to the District.

Fair Market Value of Leased Assets: The fair market value of the leased assets is 94.0% of the requested financing amount. Although this percentage is not equal to or greater than the proposed financing amount as called for in the Criteria, Priorities and Guidelines (CPGs) for the ISRF Program, the I-Bank credit staff and legal staff have determined that a ratio of the value of the leased assets to the proposed financing amount of between 90% and 125% is acceptable. As required by the CPGs, staff contacted Moody's to receive rating agency approval for this slight deviation from the CPGs. Moody's has "determined that this factor in and of itself will not have a negative impact on the Infrastructure State Revolving Fund Program's bond rating."

Repayment Ability: The sources and diversity of General Fund revenues appears adequate to cover existing expenditures and the proposed I-Bank lease payment.

LITIGATION, MANAGEMENT AND ENVIRONMENTAL

Litigation/Material Controversy

In its financing application, the District states that there is currently no outstanding or anticipated litigation or material controversy that would materially affect the Project, the Leased Asset or the ability of the District to repay the proposed financing.

Project Management

The District will hire Tri-B Incorporated (Tri-B) to manage the Project construction. Incorporated as a professional services organization in 1969, Tri-B is a licensed California general building contractor providing professional construction administration services to public agencies and private clients since 1987. Tri-B has managed over \$500 million in private and public construction projects. Its present focus specializes in providing project administration to public agency clients.

California Environmental Quality Act (CEQA)

Placer County adopted a Mitigated Negative Declaration (State Clearinghouse No. 2009062104) on June 25, 2009, and filed a Notice of Determination on August 10, 2009 for the North Tahoe Fire Protection District Public Safety Center Project, pursuant to the California Environmental Quality Act, (CEQA Public Resources Code 21000, et seq.).

SCORING CRITERIA FOR PRIORITIZING PROJECTS			
POINT CATEGORY	ANALYSIS	MAX PTS	PTS
Project Impact			
Job Creation/Retention	While the District estimates adding 6 employees, due to the size of the loan, 6 employees does not result any points.	30	0
Economic Base Employers	N/A	10	0
Community Employment Development Plan	N/A	10	0
Quality of Life/Community Amenities	The Project contributes to an improved quality of life, attractiveness, and long-term economic competitiveness for the community by building a modern Fire Safety Facility and larger, up-to-date EOC. Quality of life will be improved since the Project will improve public safety. The Project will improve the attractiveness of the community by removing an old and obsolete building (Station 51) from a busy thoroughfare in central Tahoe City. With the ability to house an aerial ladder truck that can service buildings higher than two stories, and by turning over the Station 51 site to the community for redevelopment, the Project is assisting with economic development.	30	30
Community Economic Need			
<i>The District is located in the eastern portion of Placer County covering the Tahoe Basin and serves the following Census Tracts: 201.01, 201.02, 201.03, 201.04, 201.05, 201.06, 201.07. Community Economic Need points were calculated based upon the weighted average of the economic data for these Census Tracts. The Unemployment Rate and Change in Labor Force Employment points were calculated based upon California Employment Development Department's 2008 data as the most recent annual average for sub-county areas available. The Median Family Income and Poverty Rate points were calculated based upon the 2000 U.S. Census as the most recent data for sub-county areas available.</i>			
Unemployment Rate	The Census Tracts' weighted average 2008 unemployment rate was 7.73%, or 107% of the State's 2008 unemployment rate of 7.2%.	20	0
Median Family Income	According to the 2000 Census, the Census Tracts' median family income was \$59,047, or 111% of the State's 2008 median family income of \$53,025.	15	0
Change in Labor Force Employment	The Census Tracts' 2008 change in labor force employment was 0.73%, or -42% of the State's 2008 change in labor force employment of 1.74%.	10	10
Poverty Rate	According to the 2000 Census, the Census Tracts' poverty rate was 10.88%, or 77% of the State's 2000 Census poverty rate of 14.2%.	10	0
Land Use, Environmental Protection and Approved Housing Element			
Land Use	The Project meets the second priority for rural land use development because it develops vacant and under-utilized land within existing developed rural areas and is presently served by streets, water, sewer and other public services. The Project is compatible with existing land use in the surrounding area.	20	15
Environmental Protection	The Project promotes improvement to the environment by replacing an outdated and inefficient building with a state-of-the-art, energy efficient building. When the Project is complete and the District moves into the Project, existing Station 51 which contains asbestos, will be demolished eliminating the possibility of further exposure to this known carcinogen. Project design follows LEED standards. The District states that the Project incorporates energy efficient boilers with solar technology, increased insulation, sky lights and upgraded window glazing which will promote energy conservation and be cost	10	10

	<p>efficient to operate. Recycled materials and products will be included in construction.</p> <p>The Project promotes protection of the environment with the installation of the drainage/storm water treatment systems which will enhance water quality discharge and drainage of water runoff to the Truckee River, and provide for erosion control in compliance with TRPA. These environmental protections are not in place at existing Station 51.</p> <p>The Project itself allows the District to reduce response time to fires and other emergencies, enhancing protection of the environment by accommodating additional fire safety personnel, training facilities to increase personnel skills, as well more storage space for newer and larger equipment. The Project's emergency operations center will allow the District to better coordinate response to a disaster emergencies which impact not only the environment, but also the businesses and residents.</p>		
Housing Element	Placer County has an approved housing element.	10	10
Leverage			
Leverage	The Project did not score any leverage points.	15	0
Readiness			
Readiness	The District has received construction bids for the Project and is ready to begin construction in May 2010.	10	10
TOTAL		200	85

STAFF RECOMMENDATIONS

Staff recommends approval of Resolution No. 10-18 authorizing financing not to exceed \$10,000,000 to the North Tahoe Fire Protection District for the Project subject to the following conditions:

1. **Applicant/Borrower:** North Tahoe Fire Protection District.
2. **Project:** North Tahoe Fire Protection District Public Safety Center Project.
3. **Amount of Financing:** Not to exceed \$10,000,000.
4. **Funding Availability:** The I-Bank's financing commitment is subject to the availability of funds from either, or a combination of, proceeds of a revenue bond issue or I-Bank equity funds. The Borrower shall execute the I-Bank financing agreement within 210 days of I-Bank Board Approval date, or the commitment of funds may be cancelled by the I-Bank.
5. **Maturity:** Not to exceed 29 years.
6. **Repayment/Security:** Lease payments from the General Fund of the Borrower and leasehold interest in the Leased Asset.
7. **Interest Rate:** 67% of Thompson's Municipal Market Data Index for an "A" rated tax-exempt security with a weighted average life similar to the I-Bank financing based on the rates on April 1, 2010.
8. **Fees:** A one-time loan origination fee of \$85,000 payable upon loan closing, and an annual fee of 0.3% of the outstanding principal balance.
9. **Type of Financing Agreement:** General Fund Lease Agreement between the Borrower and the I-Bank.
10. **Financing Agreement Covenants:** The following are some of the covenants required to be contained in the Lease Agreement:
 - a. The Borrower shall, during the use of the property, covenant to budget and appropriate the lease payment, and to use its best efforts to maintain sufficient General Fund revenues to provide moneys to fund all necessary and appropriate General Fund operations.
 - b. Borrower shall be authorized to prepay all or a portion of the outstanding principal balance according to the following: 102% of the outstanding principal balance if the prepayment date is on or after ten years, but less than eleven years, from the effective date of the Agreement, or 100% of the outstanding principal amount of the I-Bank bonds to which the Borrower's loan is pledged to repay and scheduled to be called for redemption as a result of the prepayment plus accrued interest on the bonds to be redeemed as of the date scheduled for redemption (Redemption Amount), whichever is greater; 101% of the outstanding principal balance if the prepayment date is on or after eleven years, but less than twelve years, from the effective date of the Agreement or the Redemption Amount, whichever is greater; or without premium if the prepayment date is twelve years or more from the effective date of the Agreement or the Redemption Amount, whichever is greater. The Borrower may on any date provide for a legal defeasance of the principal amount outstanding and any additional payment then due.
 - c. An agreement by the Borrower to indemnify the I-Bank and its directors, officers and employees from any liability arising from the Lease Agreement or from construction or operation of the Project.

11. Conditions Precedent to Agreement Execution:

- a. Receipt of an opinion of legal counsel to the Borrower that the Borrower has the legal authority to enter into the I-Bank Lease Agreement, that there is no litigation currently pending or anticipated that will have a material adverse effect on the Borrower's ability to make lease payments, and that the financing agreements are legal, binding and enforceable agreements of the Borrower.
- b. Execution by the Borrower of a Facility Lease Agreement, Site Lease and Tax Certificate consistent with the terms contained herein.
- c. Title of the Leased Assets acceptable to I-Bank.
- d. Evidence acceptable to the I-Bank that the District is in compliance with terms and conditions of all grants proposed to be used to fund the Project.
- e. Evidence acceptable to the I-Bank that the lease of property for the Project between the Borrower and the Tahoe City Public Utility District is in full force and effect.

12. Conditions Precedent to Initial Disbursement: The following are some of the conditions, which will be required precedent to the initial disbursement of I-Bank funds:

- a. Evidence of adequate insurance against liability and damage or destruction of the Leased Asset in such amounts and against such risks as are usually covered for similar properties, and use and occupancy insurance and rental interruption insurance for the Leased Assets with the I-Bank named as the additional insured or loss payee, as appropriate.
- b. Evidence of CLTA title insurance.

13. Conditions Precedent to Initial Construction Disbursement: The following are some of the conditions, which will be required precedent to the initial construction disbursement of I-Bank funds:

- a. Certifications by the Borrower that all required permits have been obtained for the construction of the Project and/or confirmation that no permits are required.
- b. A written statement by the Fire Chief, Borrower's Attorney, or other designated person that:
 - i. All construction contracts necessary for the construction of the Project have been awarded pursuant to applicable competitive bidding requirements and the Borrower's procedures normally required for similar construction projects.
 - ii. Project costs for the applicable Project component are consistent with the Sources and Uses listed in this staff report.
 - iii. All prime contracts require appropriate builder's risk insurance and name the Borrower as additional insured and loss payee, require the contractor to maintain liability insurance and name the Borrower as an additional insured, and include performance and payment bond provisions and name the Borrower as additional payee.
 - iv. All construction contracts and subcontracts require payment of prevailing wage rates and compliance with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the California Labor Code.
 - v. All construction contracts require payment of worker's compensation insurance by contractors and subcontractors.
 - vi. All construction contracts include nondiscrimination provisions.
 - vii. The Borrower has utilized the contractor pre-qualification forms developed by the Department of Industrial Relations as set forth in

AB 574 (Chapter 972 of the Statutes of 1999) codified in Public Contract Code Section 20101 et seq.

14. Conditions Precedent to Final Disbursement: The following are some of the conditions precedent to final disbursement of I-Bank funds:

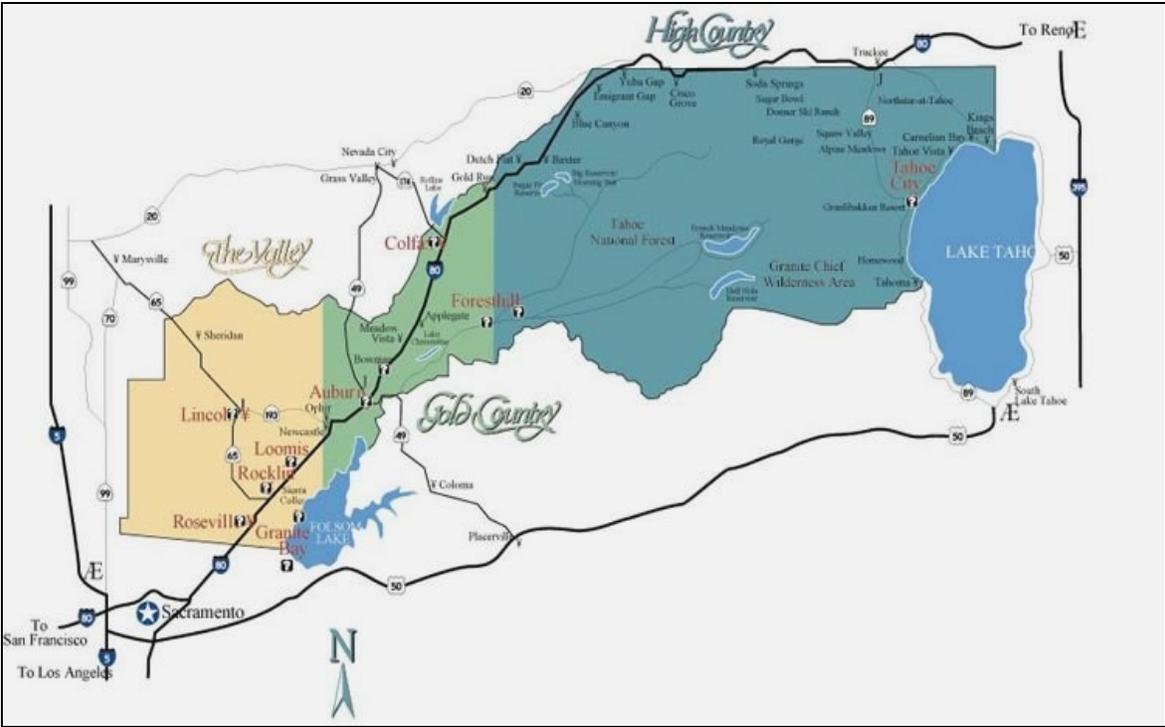
- a. Recorded Project Notice of Completion.
- b. Lien waivers for the Project, or passage of the applicable statutory time periods for filing preliminary lien notices and any subsequent stop notices.
- c. Certification that the Project has been completed in accordance with the approved plans and specifications, and that the completed Project is consistent with the definition of Project in this staff report and is acceptable to the I-Bank.
- d. Project operating permits.

15. Financial and Other Reporting Requirements:

- a. Audited annual Borrower financial statements, due to I-Bank within 240 days of fiscal year end, or such other time that is acceptable to I-Bank.
- b. Adopted Annual Budget due to the I-Bank within 60 days of September 30 of each year.
- c. Other information as I-Bank may request from time to time.

Exhibit 1—Project Location

Placer County



Project Site Location



WARD ARCHITECTURE & PLANNING
YOUNG



PUBLIC SAFETY CENTER

Photo Inventory
VICINITY MAP & LOCATION KEY

Exhibit 2— Project Design



**NORTH TAHOE
FIRE PROTECTION DISTRICT
PUBLIC SAFETY CENTER**

Exhibit 3—District Service Area Map



Site visit pictures

View from Site looking toward TCPUD and additional parking spaces



View from TCPUD of the Site

