

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

STAFF REPORT

EXECUTIVE SUMMARY

Name of Applicant: El Dorado County Fire Protection District (District)		Requested Financing Amount:	\$2,500,000
Name of Project: El Dorado County Fire Station 28 Project (Project)		Requested Financing Term:	30 years
Project Address: 3860 Ponderosa Road Shingle Springs, CA 95682		Interest Rate:	3.24%
Leased Property Addresses: 6426 Pony Express Trail, Pollock Pines, CA 95726 4040 Carson Road, Camino, CA 95709 5122 Firehouse Road, Coloma, CA 95613		Tier:	Tier 1
Project Description: The Project consists of the design and construction of a 9,094 square foot fire station on 1.21 acres of land owned by the District, and the purchase and installation of improvements and equipment, including a vehicle exhaust ventilation system, decontamination shower, communications equipment, appliances and a sign.			
Use of Financing Proceeds: The proceeds from the I-Bank financing will be used for a portion of Project construction, improvements, construction contingency, design, engineering, environmental, permits, construction management, and the I-Bank origination fee.			
Source of Repayment: General Fund		Form of Financing Agreement: General Fund Lease Agreement	
Scoring Criteria:		Score	
Project Impact		25	
Community Economic Need		10	
Land Use/Environmental Protection/Housing Element		35	
Leverage		3	
Readiness		<u>10</u>	
TOTAL		83	
I-Bank Staff: John Bacigalupi		Date of Staff Report: July 20, 2010	
Date of I-Bank Board Meeting: July 27, 2010		Resolution Number: 10-25	
Staff Recommendation: Staff recommends approval of Resolution No. 10-25 authorizing financing to the El Dorado County Fire Protection District in an amount not to exceed \$2,500,000 for El Dorado County Fire Station 28 Project subject to conditions contained therein.			

PROJECT DESCRIPTION

The El Dorado County Fire Protection District (District) requests ISRF Program financing for a portion of the design and construction costs of the El Dorado County Fire Station 28 Project (Project). The Project consists of (a) the design and construction of a 9,094 square foot fire station on 1.21 acres of land owned by the District; and (b) the purchase and installation of equipment and improvements, including a vehicle exhaust ventilation system, decontamination shower, communications equipment, appliances, and an LED sign.

Project

In its ISRF Program Financing Application (Application), the District states that the Project will replace existing Fire Station 28 (Station 28) located in the unincorporated portion of the County of El Dorado (County) (Exhibit 1–Project Location). During conversations with staff, the District stated that it has outgrown Station 28, in that it has recently hired nine additional fire safety staff in anticipation of the Project and projects hiring six to eight more fire safety staff when development in the area progresses. The District further states in its Application that Station 28 was built by volunteers in 1962, is obsolete since it lacks gender-based facilities, is too small for modern firefighting apparatus (e.g., fire trucks, ladder trucks, and other emergency vehicles), contains asbestos, does not meet seismic or Americans with Disability Act (ADA) requirements, and that the foundation has failed due to eroding soil and has become a safety hazard for crews.

The Project is designed to accommodate a larger, permanent, full-time, male and female fire safety staff on duty 24/7, and additional equipment with larger vehicle and apparatus bays and will be constructed to comply with current earthquake standards and Americans with Disability Act requirements. During Project construction, the District is maintaining a temporary fire station at a leased facility located at 3970 Durock Road, less than one mile from the Project location.

The Project is located on 1.21 acres of land on the west side of Ponderosa Road in the community of Shingle Springs in the unincorporated portion of the County on the same site as Station 28. The Project consists of the design and construction of a 9,094 square foot fire station with separate living quarters for male and female fire safety staff, kitchen, recreational space, and a double-deep bay equipment/vehicle garage and equipment storage area including a bay specifically designed to house an aerial ladder truck (Exhibit 2–Project Design). Improvements include the installation of fire protection-related equipment, including a vehicle exhaust ventilation system, decontamination shower, communications equipment, appliances, and a light emitting diodes (LED) sign. The District began site work, including site mobilization, demolition of Station 28, site preparation, utilities installation and installation of the foundation, in April 2010.

Economic Development Benefits

The Project supports Goal 10.2: Public Services and Infrastructure, in the *Economic Development Element* of the County's *General Plan* which is to, "Provide adequate levels of public services and infrastructure for existing residents and target industries and establish equitable methods to assure funding of needed improvements to existing infrastructure and services and new facilities to further economic development consistent with the County's custom, culture, and economic stability." The Project will ensure adequate levels of public services are available for the residents and industries within the District.

In its Financing Application, the District states that the Project supports economic development by giving the District the ability to house additional personnel and modern firefighting apparatus, such as an aerial ladder truck needed to adequately protect larger, taller development projects. Specifically, the Project will provide effective and reliable fire protection to the recently constructed Shingle Springs Rancheria Red Hawk Casino (Casino).

The Casino which is owned and operated by the Shingle Springs Tribal Gaming Authority, an instrumentality of the Band of Miwok Indians, is a \$200 million project that was completed in 2008. The Casino features 278,000 square feet of gaming and entertainment facilities including over 2,100 slot machines, 75 table games, 5 premium restaurants, and employs 1,500 people on a full time equivalent basis. Guests are accommodated in part by an eight story parking garage with 3,100 parking spaces. Expansion plans include construction of a health clinic and a seven-story hotel.

The Project further supports economic development through job creation as the District has hired nine additional fire safety staff in anticipation of the Project, increasing fire safety crews from two to five firefighters per shift, and projects hiring six to eight more fire safety staff as economic development activity in the area increases.

PROJECT SOURCES AND USES OF FUNDS

The table below outlines the Project sources and uses:

Project Uses	Project Sources		
	I-Bank	District	Total
Construction, Improvements, and Contingency	\$2,113,546	\$168,454	\$2,282,000
Equipment	\$0	\$167,952	\$167,952
Design/Engineering/Environmental/Permits/Title Fees/Construction Management	\$365,204	\$156,669	\$521,873
I-Bank Fee	\$21,250	\$0	\$21,250
Total	\$2,500,000	\$493,075	\$2,993,075

In addition to the ISRF Program loan, the Project will be funded by the District as evidenced by the District's Resolution No. 2010-06 committing \$500,000 to the Project, executed by the District's Board of Directors on May 20, 2010.

The District began Project construction in April 2010 with the demolition of Station 28 and commenced construction of the fire station building in May 2010. District Project Construction costs in the table above are costs paid, and hard costs expected to be paid, through July 27, 2010 and represent a portion of the District's equity contribution to the Project and will not be reimbursed by the ISRF Program loan. The District will fund all equipment including the LED sign.

The District does not expect to request reimbursement from the proposed financing to pay District staff.

ELIGIBILITY CRITERIA

The District and the Project meet all of the ISRF Program statutory and supplemental threshold eligibility criteria.

GENERAL DISTRICT INFORMATION

The District is located in the “Mother Lode” area along US Highway 50 between Sacramento and South Lake Tahoe on the western slope of the Sierra Nevada mountain range (Sierra Range). Formed in 1991, the District currently covers 281 square miles, with boundaries beginning in the lower foothills near Salmon Falls and north to the Sierra Range at Twin Bridges (Exhibit 3–District Service Area Map). The District serves over 74,000 residents principally living in rural and suburban areas, but includes the area of the incorporated City of Placerville, which occupies 20 square miles of urban area.

The District’s *Annual Report on Fire District Development Improvement Fees and Annual Update of Ten Year Apparatus/Facilities Improvement Plan, Fiscal Year 2006-2007*, dated June 19, 2008, reveals that the District was formed through the consolidation of five districts: the City of Placerville Fire Department, Placerville Fire Protection District, Camino/Pollock Pines Fire Protection District, Shingle Springs Fire Protection District and the Pleasant Valley Fire Protection District. The District later annexed the Strawberry area and then consolidated with the Coloma/Lotus Fire Protection District and the Northside Fire Protection District.

The District’s Financing Application states that the District operates under a board-fire chief form of government. The District’s board is composed of five members each representing one of 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 four year terms. The fire chief is the District’s chief operating officer.

The District provides fire suppression, fire prevention, ambulance, emergency medical and rescue services, and all fire risk-related hazard mitigation to permanent residents year round and visitors and part time residents during the tourist season. The District currently has 78 full-time personnel and 45 active volunteer personnel operating at eight District-staffed and seven volunteer-staffed fire stations. The eight full-time District-staffed stations are located in Pollock Pines, Placerville (3), Camino, Shingle Springs, Cool and Coloma. The seven volunteer-staffed stations are located in Strawberry, Kyburz, Pollock Pines, Placerville (3), and Pilot Hill. The wide diversity of emergency incidents requires fire safety staff 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)
Type of Audited Financial Documents Reviewed ⁽¹⁾:	<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 and 2010 -2011

⁽¹⁾ The F/S reviewed were each audited by a separate auditor, resulting in changes in classification titles for otherwise similar items.

Comparative Balance Sheet Analysis

The comparative Governmental Fund Balance Sheet analysis for the District's General Fund (Fund) for the last three fiscal years is as follows:

Balance Sheet - Governmental Fund						
For Fiscal Year Ending (FYE) June 30,	2007		2008		2009	
Source:	Audited Financial Statements	% Total Assets	Audited Financial Statements	% Total Assets	Audited Financial Statements	% Total Assets
ASSETS						
Cash in County Treasury	\$6,063,920	99.7%	\$6,331,549	99.8%	-	0.0%
Cash and investments	-		-		\$6,810,728	98.4%
Accounts receivable	\$16,156	0.3%	\$10,558	0.2%	\$69,119	1.0%
Due from other governments	-	0.0%	-	0.0%	\$41,073	0.6%
Total assets	\$6,080,076	100.0%	\$6,342,107	100.0%	\$6,920,920	100.0%
LIABILITIES						
Accounts payable	\$192,756	3.2%	\$219,166	3.5%	\$578,821	8.4%
Accrued salaries and benefits payable	\$129,920	2.1%	\$174,999	2.8%	-	0.0%
Accrued payroll	-	0.0%	-	0.0%	\$273,934	4.0%
Accrued vacation pay	\$63,773	1.0%	\$63,773	1.0%	-	0.0%
Deferred revenue	-	0.0%	-	0.0%	\$34,591	0.5%
Total liabilities	\$386,449	6.4%	\$457,938	7.2%	\$887,346	12.8%
FUND BALANCES/NET ASSETS						
Fund balances:						
Reserved	\$4,517,989	74.3%	\$1,490,333	23.5%	-	0.0%
Reserved for capital purchases	-	0.0%	-	0.0%	\$1,008,804	14.6%
Reserved for retiree benefits	-	0.0%	-	0.0%	\$148,664	2.1%
Designations:						
Capital projects reserve	-	0.0%	-	0.0%	\$1,827,856	26.4%
Retiree medical insurance benefits	-	0.0%	-	0.0%	\$700,000	10.1%
Employee vacation payoff	-	0.0%	-	0.0%	\$413,000	6.0%
Petty cash	-	0.0%	-	0.0%	\$250	0.0%
Unreserved	\$1,175,638	19.3%	\$4,393,836	69.3%	-	0.0%
Undesignated	-	0.0%	-	0.0%	1,935,000	28.0%
Total fund balances	\$5,693,627	93.6%	\$5,884,169	92.8%	\$6,033,574	87.2%
Total liabilities and fund balances	\$6,080,076		\$6,342,107		\$6,920,920	
Ratios (calculated by staff)						
Total Liabilities to Total Assets	0.06		0.07		0.13	
Total Fund Balance to Total Liabilities	14.73		12.85		6.80	
% Unreserved Fund Balance to:						
Total Prog. Revenues + Total Gen. Revenues	12.3%		44.3%		18.2%	
Total General Expenditures	13.6%		45.2%		18.6%	

Analysis finds the Fund's assets are centered in Cash in County Treasury/Cash and Investments which represented 98.4% to 99.8% of Total Assets over the three years reviewed, and that this current asset increased \$746,808, or 12.3%, during the same period as a direct result of operations. In FY 2009, Cash and Investments is 228% of the total Project cost and approximately 64% of FY 2009 Fund Expenditures. Total Assets increased \$840,844, or 13.8% from FY 2007 to FY 2009. Not reflected on the Balance Sheet above, but reflected in the District's government-wide financial statement, is the significant amount of investment the Capital Assets, which as of 6/30/09 totaled \$3,426,354 net of depreciation for a total Net Assets of \$8,623,950 as reflected in the 2009 F/S Statement of Net Assets.

Liabilities principally consist of Accounts Payable which tripled between FY 2007 and FY 2009. The next largest liability, Accrued Salaries and Benefits Payable plus Accrued Vacation Pay/Accrued Payroll, increased \$80,241, or 41%, and Total Liabilities increased \$500,897, or 130.0%, during the same period.

Despite the increase in Total Liabilities, Total Liabilities represent only 6%, 7% and 13% of Total Assets in FY 2007, 2008 and 2009, respectively; and Total Fund Balances increased \$339,947, or 6%, due to increases in Excess of Revenues (Expenditures)/Change in Net Assets from FY 2007 to FY 2009. Of Total Fund Balances, Unreserved/Designated plus Undesignated (that is, fund balances not otherwise reserved) classifications increased

\$3.7M, or 314.8% over the three years analyzed and totaled \$4,876,106, or 70.5% of Total Assets in FY 2009. As such, the District's Balance Sheet exhibits strong and very liquid characteristics.

Comparative Revenue and Expenditure Analysis

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

Statement of Revenues, Expenditures and Changes in Fund Balances							
For Fiscal Year Ending (FYE) June 30,		2007		2008		2009	
Source:	Audited Financial Statements	% Total Revenue	Audited Financial Statements	% Total Revenue	Audited Financial Statements	% Total Revenue	
Program expenditures/expenses:							
Current:							
Public protection	\$8,270,918	86.3%	-	0.0%	-	0.0%	
Salaries and related benefits	-	0.0%	\$7,983,797	80.5%	-	0.0%	
Materials and services	-	0.0%	\$1,183,917	11.9%	-	0.0%	
Principal on LT Debt	\$157,007	1.6%	\$147,180	1.5%	\$153,964	1.4%	
Interest on LT Debt	-	0.0%	\$29,316	0.3%	\$22,532	0.2%	
Fixed assets capitalized	\$204,066	2.1%	\$382,460	3.9%	-	0.0%	
Salaries and benefits	-	0.0%	-	0.0%	\$8,697,922	81.0%	
Services and supplies	-	0.0%	-	0.0%	\$1,201,664	11.2%	
Motor vehicle in-lieu	-	0.0%	-	0.0%	-	0.0%	
Capital outlay	-	0.0%	-	0.0%	\$521,924	4.9%	
Total program expenditures/expenses	\$8,631,991	90.1%	9,726,670	98.1%	10,598,006	97.1%	
Program revenues:							
JPA administrative fee	\$70,000	0.7%	\$70,000	0.7%	\$0	0.0%	
JPA reimbursements	\$51,000	0.5%	\$51,000	0.5%	-	0.0%	
Strike team revenue	\$182,108	1.9%	\$396,929	4.0%	-	0.0%	
Charges for services	-	0.0%	\$81,184	0.8%	-	0.0%	
Total program revenues	\$303,108	3.2%	\$599,113	6.0%	\$0	0.0%	
General revenues:							
Tax revenue	\$7,705,303	80.4%	\$8,011,191	80.8%	-	0.0%	
Direct assessment	\$516,305	5.4%	\$510,218	5.1%	-	0.0%	
Development fees	\$346,869	3.6%	\$315,578	3.2%	\$90,390	0.8%	
Interest	\$222,943	2.3%	\$201,278	2.0%	-	0.0%	
Fire suppression	\$252,454	2.6%	\$259,267	2.6%	-	0.0%	
Insurance refunds	\$128,928	1.3%	\$10,266	0.1%	-	0.0%	
Other	\$103,102	1.1%	\$10,301	0.1%	-	0.0%	
Property taxes	-	0.0%	-	0.0%	\$8,217,055	76.6%	
Special assessments	-	0.0%	-	0.0%	\$775,479	7.2%	
Reimbursements	-	0.0%	-	0.0%	\$539,318	5.0%	
Plan check fees	-	0.0%	-	0.0%	\$47,434	0.4%	
Use of money and property	-	0.0%	-	0.0%	\$76,567	0.7%	
JPA administrative fee	-	0.0%	-	0.0%	\$86,666	0.8%	
Miscellaneous	-	0.0%	-	0.0%	\$899,121	8.4%	
Total general revenues	\$9,275,904	96.8%	\$9,318,099	94.0%	10,732,030	99.2%	
Excess of revenues (expenditures)/changes in net assets	\$947,021	9.9%	\$190,542	1.9%	\$134,024	1.2%	
Fund balances/net assets:							
Beginning	\$4,746,606		\$5,693,627		\$5,884,169		
Prior Period Adjustment	-		-		\$15,382		
Ending	\$5,693,627		\$5,884,169		\$6,033,575		

As the above table demonstrates, Fund revenues in FY 2007 and FY 2008 are reported under two major classifications: Program Revenues and General Revenues as reflected by the prior auditor. All Fund revenues are reported as General Revenues for FY 2009. Program Revenues include revenues received under a contract with the County pursuant to Joint Powers Authority agreements (JPAs) to provide emergency medical and dispatch services as well as revenue related to reimbursement for services provided to agencies outside District boundaries under mutual aid agreements. The primary sources of General Revenues are Tax Revenue/Property Taxes (Property Taxes), followed by Miscellaneous, Special Assessments, and Reimbursements.

Per Note 9 in the 2009 F/S, as a member agency of a JPA, the District provides pre-hospital emergency medical service and emergency dispatch service (Services) for the west-slope of the County. The District is fully reimbursed for all authorized cost incurred by its performance of Services and realizes revenue for administering 22 employees who operate the JPA's eight ambulances. District revenue from Services was reported under Program Revenues in FY 2007 and FY 2008, and as Reimbursements and JPA Administrative Fee in FY 2009.

Property Taxes are the District's portion of property taxes collected by the County of El Dorado (County) and are the largest single Fund revenue totaling 76.6% in FY 2009. The County apportions secured taxes to the District under the "Teeter Plan," and the District is credited with 100% of its apportionments, regardless of actual collections and delinquencies. Property Taxes are distributed to the District three times a year. A review of the District's F/S reflects that the District did not report all Property Tax revenues in the Fund statement above, and reflects the following in its Government-wide Statement of Activities:

Property Taxes as Reported in the Statement of Activities			
	FY 2007	FY 2008	FY 2009
Property Taxes	\$7,705,303	\$8,438,749	\$8,217,055

Source: Audited Financial Statements

As shown above, the District experienced a 10% increase in its Government-wide property tax receipts between FY 2007 and FY 2008, and a slight drop in property tax revenues between FY 2008 and FY 2009 (2.6%), as is expected given the current state of the economy. It is unknown how future economic conditions will impact future receipt of Property Tax revenues, and any negative economic conditions could significantly negatively impact this major source of District revenues.

The District has a history of receiving assessment revenues from a variety of voter-approved assessments. Generally, Assessment Revenues may only be used to fund improvements that provide a specific and direct benefit to properties subject to the assessment. On August 20, 2009, the District adopted Resolution No. 2009-07 ordering the levy and collection of assessments within the Shingle Springs area (Shingle Springs Assessment). The *Engineer's Report* for the Shingle Springs Assessment states that the specific benefits of the assessment are maintenance of, and possibly future increased protection of, structures and occupants from fires and resulting property loss and owner liability from injuries to occupants. The Shingle Springs Assessment may also provide funding for equipment and partially fund fire protection services as allowed under Government Code 50078 et seq. and the California Constitution Article XIII D (Proposition 218). The Shingle Springs Assessment will sunset in 2016 unless reauthorized by the voters of the District. The Fire Suppression Assessment revenues are classified as either Fire Suppression or Special Assessments, and increased over the three year period principally due to receipt of the Shingle Springs Assessment in FY 2009.

Another source of restricted revenue is Development Fees. Per the 2009 F/S, the use of Development Fees is restricted to financing public facilities and equipment necessary to serve new developments. As expected, Development Fees have decreased from the \$300,000's in FY 2007 and 2008 to just under \$100,000 in FY 2009 principally due to the downward trend in new development directly related to current negative economic conditions.

On July 30, 2008, the District entered into an *Agreement for Fire Protection Services between the El Dorado County Fire District and the Shingle Springs Band of Miwok Indians* (Tribal Agreement) to provide fire protection services to the Casino. The Tribal Agreement states that the District operates eight fire stations in the areas surrounding the Casino with Station 28 being the closest to the Casino. Payment under the Tribal Agreement to the District for fire protection services is due in advance of June 1 each year and is recorded as Miscellaneous revenue in the Fund. Per the Tribal Agreement, the District retains discretion to use Tribal Agreement payments in a manner it determines most beneficial to the overall District including service to the Casino. The Tribal Agreement includes a 5% annual escalation clause. In FY 2009, two Tribal Agreement payments were received (one for FY 2009, one for FY 2010) totaling \$899,121. An additional one-time payment in the amount of \$250,000 to be used solely for the expansion of Station 28 was also received by the District in FY 2010 and is part of the District's equity contribution to the Project. The five-year Tribal Agreement expires July 2013 and allows for renewals of additional terms.

When Total Fund Program Revenues are added to Total Fund General Revenues, total combined Fund revenues increased 12.0% from FY 2007 to FY 2009 principally due to increases in Assessment Revenues and Tribal Agreement revenues. Staff notes that both of these sources of revenues have expiration dates prior to the term of the proposed ISRF Program financing, which are significant negative credit risk factors.

As the table above demonstrates, total Fund expenditures increased 22.8% from FY 2007 to FY 2009. Expenditures in each FY are centered in Salaries and Benefits (classified as Public Protection in FY 2007 and as Salaries and Related Benefits in FY 2008) which represent approximately 80% of the District's Total Program Expenditures/Expenses. Although Salaries and Benefits increased in dollars expended from FY 2007 to FY 2009, this category decreased as a percent of total District revenues in the same period. Services and Supplies (classified as Materials and Services in FY 2008 and included under Public Protection in FY 2007) is the second largest expenditure, accounting for approximately 11.5% of the District's Total Program Expenditures/Expenses.

Other expenditures include Principal on LT (Long Term) Debt and Interest on LT Debt. As of FY 2009, LT Debt consists of two outstanding equipment leases totaling approximately \$175,000 that mature in 2011.

FY 2009 F/S reports expenditures for Capital Outlay (Fixed Assets Capitalized in FY 2007 and FY 2008) in the amount of \$521,924; higher than in both the preceding years. The District stated that \$169,613 of FY 2009 Capital Outlay expenditures were directly related to design and engineering costs associated with the Project. Since completion of the Project eliminates funding of design and construction costs, Capital Outlay expenditures should return to more historical levels, freeing revenue for the proposed I-Bank lease payment.

The Prior Period Adjustment made in FY 2009 is the result of Office of Emergency Services reimbursements received during FY 2009 that belonged in a prior period.

As the table above demonstrates, Excess of Revenues (Expenditures)/Changes in Net Assets is positive in each FY 2007, FY 2008, and FY 2009 resulting in positive balances in Ending Fund Balances/Net Assets in each of the three fiscal years analyzed.

Assessed Valuations and Top Twenty Secured Taxpayers

The following table demonstrates that in the last five fiscal years, total assessed valuation of land within the District increased 20.7%, although there was a slight decrease (2.90%) between 2008-2009 and 2009-2010, returning total assessed valuation to the 2007-2008 level. Staff expects that with the current negative state of the economy, there may be additional reductions in District total assessed valuations in future years, which could significantly impact the District's total Property Tax revenues.

Assessed Valuation					
Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change ⁽¹⁾
2009-10	\$ 5,936,879,445	\$668,310	\$ 110,065,461	\$ 6,047,613,216	-2.9%
2008-09	\$ 6,114,401,180	\$668,310	\$ 116,359,736	\$ 6,231,429,226	3.3%
2007-08	\$ 5,920,812,120	\$668,310	\$ 110,872,220	\$ 6,032,352,650	8.2%
2006-07	\$ 5,474,397,894	\$371,216	\$ 102,771,697	\$ 5,577,540,807	11.4%
2005-06	\$ 4,914,437,789	\$388,020	\$ 93,634,511	\$ 5,008,460,320	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 2010. Valuation for the largest secured taxpayer, Sierra Pacific Industries, represents 0.35% of the District's total assessed valuation. The total assessed valuation for all top 20 secured taxpayers is 2.48% of the District's total assessed valuation. The secured properties include a variety of uses: industrial, retail, residential, and recreational. There are no significant concentrations of secured taxpayers within the District.

Largest 2009-10 Local Secured Taxpayers				
	Property Owner	Primary Land Use	Assessed Valuation	% of Total ⁽¹⁾
1	Sierra Pacific Industries	Heavy Industry	\$ 20,991,637	0.35%
2	Eskaton Village Placerville	Convalescent Home	\$ 13,810,414	0.23%
3	Home Depot USA Inc.	Retail Store	\$ 12,623,551	0.21%
4	Lakemont Village Placerville	Residential Development	\$ 10,291,451	0.17%
5	Columbia II Raley's Center	Supermarket	\$ 8,160,000	0.14%
6	Douglas B. & Lori A. Veerkamp	Rural Residential	\$ 7,931,044	0.13%
7	Safeway Inc.	Supermarket	\$ 7,711,058	0.13%
8	Black Rock Ranch LLC	Rural Residential	\$ 7,402,500	0.12%
9	Edward Mackay	Industrial Land	\$ 6,636,201	0.11%
10	Folsom Central LLC	Retail Store	\$ 6,550,019	0.11%
11	Sports Club Partners Inc.	Health Club	\$ 5,341,643	0.09%
12	Apple Mountain LP	Golf Course	\$ 5,061,879	0.09%
13	Puba Properties	Retail Store	\$ 4,762,135	0.08%
14	Edendale Apartments	Apartments	\$ 4,744,289	0.08%
15	Alan V. & Diane J. Carlton	Office Building	\$ 4,408,129	0.07%
16	Wesley L. & Gertrude Wilkinson	Office Building	\$ 4,285,469	0.07%
17	Barnett Lot 1A LLC	Industrial Land	\$ 4,180,700	0.07%
18	Ronald V. & Kelley Lee Briggs	Retail Store	\$ 4,163,661	0.07%
19	Ronald L. & Betty A. Thompson	Retail Store	\$ 4,159,344	0.07%
20	Safari Estates LLC	Residential Development	\$ 4,111,271	0.07%
Total Assessed Value of Largest 2009-10 Local Secured Taxpayers			\$ 147,326,395	2.48%

Source: CalMuni
(1) 2009-10 Local Secured Assessed Valuation: \$5,936,879,445

Existing Debt

The following table lists the current Fund financing obligations as reported by the District in its Application and F/Ss and reflects the Proposed ISRF Program lease obligation:

Outstanding Leases	Original Issue Amount	Balance	Total Annual Payment	Maturity
The Fifth Third Bank	\$726,000	\$97,019	\$67,931	11/29/2011
SunTrust Leasing Corporation	\$653,908	\$131,466	\$108,565	9/8/2011
Proposed ISRF Program Lease - 30 Year Term @ 3.50% (estimated)	\$2,500,000	\$2,500,000	\$148,062	8/1/2029
TOTAL	\$3,879,908	\$2,728,485	\$324,558	

Both existing outstanding Fund obligations are leases and were originally with SunTrust Leasing Corporation. The first lease was assigned to The Fifth Third Bank effective August 4, 2005. The leases are long term obligations in the form of a Master Lease Agreement (The Fifth Third Bank) and a Master Lease Purchase Agreement; each agreement is secured by two fire engines. The lease with The Fifth Third Bank matures November 2011; and the SunTrust lease matures September 2011.

Budgeting

Staff reviewed the District's approved Fund budget (Budget) for FY 2011. Review of the Budget finds the District included Fund Balance/Carryover and Reserves/Encumbrances in sources of revenue. The Budget reflects that the Fund's largest sources of revenue remains Property Taxes (approximately 80.2% of FY 2011 budgeted revenues) followed by Special Assessments (approximately 7.8% of FY 2011 budgeted revenues). However, the 2011 Budget conservatively projects a decline of 4.1% in Property Taxes, a decline of 0.8% in Special Assessments, and an overall decline in Total Revenues of 8.4% relative to FY 2009 performance, reflecting a conservative expectation in the economy.

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 experienced an Educational Revenue Augmentation Fund (ERAF) shift to the State which resulted in the District receiving 8% less from the State in FY 2009. The Fire Chief stated that the District participated in securitization program, which allowed the District to borrow up to 100% of the property tax dollars shifted to the State resulting in no negative revenue impact to the District for this fiscal year.

Total Expenditures in the Budget reflect a 4.9% increase in FY 2011, with the largest increase seen in Principal on LT Debt in which category the District budgeted \$250,000 for the payment on the proposed ISRF Program financing as well as the payments on the existing lease obligations. The next largest increase is in Services and Supplies for which the District budgeted an increase of 28.4%. The District budgeted a 2.4% increase in Salaries and Benefits.

Overall, the Budget reflects Total Revenues of \$11,121,659 and Total Expenditures of \$8,904,656. Staff concludes that Total Revenues and Expenditures are consistent with the District's historical performance, and sufficiently provide for the proposed ISRF Program lease payment.

Debt Service Analysis and Limitation

The chart below shows that current and proposed long term Fund obligations do not exceed 15% of total revenues:

Total Program Revenues + Total General Revenues	\$10,641,640
x 15%	0.15
	\$1,596,246
Total Existing General Fund Annual Lease Payments	\$176,496
Proposed General Fund Annual Lease Payment	<u>\$148,062</u>
Total General Fund Annual Lease Payments	\$324,558
% Debt to Total Program Revenues + Total General Revenues Fiscal Year 2009	3.05%

As shown above, the proposed ISRF Program payment is approximately \$150,000. In FY 2009, the Excess of Revenues over Expenditures were \$134,024. While the District reported double payments from the Tribal Agreement, property tax revenues are trending downward, the incurrence of higher than historical Capital Outlays (inclusive of the Project), and approximately \$175,000 in LT Debt payments will expire in FY 2011, staff believes that the District will be able to adequately budget for the proposed ISRF Program payment in future years. It is expected that the Fund's strong cash position will also provide the District with sufficient time to make adjustments to budgeted Expenditures to account for any decrease in Total Revenues ensuring sufficient funds to make the ISRF Program annual lease payment.

Leased Assets

The District proposes to lease to the I-Bank the land and buildings of three existing fire stations owned by the District (Leased Assets) pursuant to a lease-leaseback agreement with the I-Bank. The following table presents data submitted by the District regarding the valuation of the proposed leased assets and summarizes other data on the proposed Leased Assets:

Fire Station #	Address	Year Built	Total Square Feet	Estimate of Value	
17	6426 Pony Express Trail Pollock Pines, CA 95726	1948	4,512	Building	\$544,867
			24,000	Land	\$14,425
				Total	\$559,292
21	4040 Carson Road Camino, CA 95709	1976	6,222	Building	\$847,436
			41,818	Land	\$25,134
				Total	\$872,570
74	5122 Firehouse Road Coloma, CA 95613	1983	8,496	Building	\$1,089,039
			38,333	Land	\$23,040
				Total	\$1,112,079
Total Value Leased Assets					\$2,543,941
Financing Amount					\$2,500,000
Total Value of Leased Assets to Financing Amount					101.8%

Source: District, Metrolist, FASTWeb Property Profile.

Fire Station 17 is a wood frame and metal building. Fire Station 21 is all metal construction and Fire Station 74 is wood frame construction with T-111 siding. All proposed Leased Assets are constructed on slab foundations.

Building values as stated in the table above are the insured values provided to the District by Atwood/ISU Insurance as of May 27, 2010. The District presented Multiple Listing Service (MLS) data for two land sales comparable to the Leased Assets land that occurred within the District's boundaries, the first in July 2008 and the second in September 2009. The District advised I-Bank staff that the values provided were the best available estimates of value and that land sales comparables were difficult to obtain in any quantity. Parcel sizes for the land comparables ranged from 9.7 acres to 26.4 acres; parcels were zoned for rural low-density residential, which is similar to the locations of the Leased Assets. I-Bank staff agreed with the District's determination that the most reasonable estimate of land value for Leased Assets was the average sales price for both land parcels, \$0.60 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 Leased Assets. The resulting total value of the Leased Assets is 101.8% of the requested financing amount, and staff has determined that the Leased Assets are sufficient for the proposed ISRF Program financing.

Fidelity National Title Company (Title Company) provided preliminary title reports (Title Reports) for the Leased Assets. Review of the Title Reports finds that title to Fire Station 17 and 21 are vested in the El Dorado County Fire District, rather than the District's full name (El Dorado County Fire Protection District), and title to Fire Station 74 is vested in the County of El Dorado. The District has requested that the Title Company correct the District's name for Fire Stations 17 and 21, and correct the vesting of Fire Station 74, and will provide corrected Title Reports as a condition to execution of the ISRF Program lease agreement. Preliminary Title Reports for each Leased Asset reflects that the properties are unencumbered and that there are no unacceptable exceptions.

Furthermore, the District reports that the Title Company has experienced difficulty in tracking vesting to Fire Station 74, which might require significant time to correct. The District owns other properties that meet the leased asset criteria in the Criteria, Priorities and Guidelines (CPGs) for the ISRF Program and, if needed, has requested to substitute an equivalent property (or properties) acceptable to the I-Bank for Station 74 prior to the execution of the ISRF Program lease agreement should correcting the vesting for Station 74 become problematic. Staff requests that the Board grant the I-Bank's Executive Director the authority to approve a replacement leased asset(s) for Fire Station 74 so long as the replacement real property and fire station(s) are of sufficient value and acceptable title and meet the leased assets requirements of the CPGs.

The District completed Comprehensive Environmental Surveys for Leased Assets, and 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 Fund are less than 15% of District Fund revenue as shown above.

Essentiality of Leased Assets: The Leased Assets consists of three 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 greater than 100% of the requested financing amount, consistent with the Criteria, Priorities and Guidelines (CPGs) for the ISRF Program, and not excessive.

Repayment Ability: The sources and diversity of Fund revenues appears adequate to cover existing expenditures and the proposed ISRF Program lease payment.

LITIGATION, MANAGEMENT AND ENVIRONMENTAL

Litigation/Material Controversy

In its Application, the District states that there is currently no outstanding or anticipated litigation or material controversy that would materially affect the Project, the Leased Assets or the ability of the District to repay the proposed ISRF Program lease payment.

Project Management

Fred Russell is currently under contract with the District as Project Manager for the Project. Mr. Russell has more than 32 years in fire protection, 23 years during which he served with El Dorado Hills Fire Department (EDHFD) as Fire Marshal. His responsibilities included development plan review and fire code enforcement, fire protection planning for all commercial and residential development, and development of a Facility Master Plan (Plan) for EDHFD.

The District reports that Mr. Russell's experience includes construction management of capital projects, including fire stations, for local agencies and the federal government. Projects include the construction of four fire stations for EDHFD and the completion of five buildings totaling 29,000 square feet in June 2009 for the Federal Bureau of Land Management. Mr. Russell is currently under contract with two additional fire departments, assisting them with the development and construction of two new fire stations in addition overseeing the completion of the Project.

California Environmental Quality Act (CEQA)

Per the Application, the El Dorado County Planning Commission determined that the Project has no significant impact on the environment and is exempt from CEQA pursuant to Section 15061(b)(3) of the CEQA guidelines. The District provided a copy of a Notice of Exemption for the Project filed with the office of the El Dorado County Recorder-Clerk on June 17, 2010.

SCORING CRITERIA FOR PRIORITIZING PROJECTS			
POINT CATEGORY	ANALYSIS	MAX PTS	PTS
Project Impact			
Job Creation/Retention	<p>The District has hired nine additional fire safety in anticipation of the Project, and projects to hire six to eight more staff as the Shingle Springs area develops. However, due to the size of the loan, the addition of 15 to 18 employees does not result any points.</p> <p>Under the Tribal Agreement, the Project supports the Casino by providing fire protection services to the Casino. The Tribal Agreement states that the District operates eight fire stations in the areas surrounding the Casino with Station 28 being the closest to the Casino. It is reasonable to conclude that without the availability of adequate fire protection, the Casino project would not have been approved. The Casino has 1,500 full-time equivalent employees whose jobs would not exist if not for the Casino. However, the District provided no written confirmation for the number of jobs retained by the Casino; therefore, no points were awarded in this category.</p>	30	0
Economic Base Employers	The Casino is an Economic Base Employer since guests include persons from outside the local community who bring sales revenue into the local community from outside the region. However, since the District provided no written confirmation for the number of jobs retained, no points were awarded in this category.	10	0
Community Employment Development Plan	N/A	10	0
Quality of Life/Community Amenities	<p>The Project contributes to improved quality of life, attractiveness, and long-term economic competitiveness for the community. Quality of life is enhanced since the Project accommodates additional fire safety staff and provides more storage space for newer, larger and more efficient firefighting equipment, ultimately improving public safety.</p> <p>The Project improves the attractiveness of the community by replacing an old, obsolete and hazardous asbestos-containing building (Station 28) with a state-of-the-art facility.</p> <p>The Project supports economic development by giving the District the ability to house additional personnel and modern firefighting apparatus, such as an aerial ladder truck needed to adequately protect larger, taller development projects. Specifically, the Project will provide effective and reliable fire protection to the recently constructed Shingle Springs Rancheria Red Hawk Casino (Casino).</p> <p>The Project supports Goal 10.2: Public Services and</p>	30	25

	Infrastructure, in the <i>Economic Development Element</i> of the County's <i>General Plan</i> which is to, "Provide adequate levels of public services and infrastructure for existing residents and target industries and establish equitable methods to assure funding of needed improvements to existing infrastructure and services and new facilities to further economic development consistent with the County's custom, culture, and economic stability." The Project will ensure adequate levels of public services are available for the residents and industries within the District.		
Community Economic Need			
Unemployment Rate	The County's average 2009 unemployment rate was 11.3%, or 98.8% of the State's 2009 unemployment rate of 11.4%.	20	0
Median Family Income	According to the 2000 Census, the County's median family income was \$60,250, or 113.6% of the State's 2000 median family income of \$53,025.	15	0
Change in Labor Force Employment	The County's 2009 change in labor force employment was 5.12%, or 3.53 times greater than the State's 2009 change in labor force employment of -1.45%.	10	10
Poverty Rate	According to the 2000 Census, the County's poverty rate was 7.1%, or 50% 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 reconstructs a fire station at the same location as the former facility and is served by streets, water, sewer and other public services, meeting the first priority for rural land use development as it renews and maintains existing developed rural areas. The Project is also compatible with existing land use in the surrounding area.	20	20
Environmental Protection	The Project promotes protection of the environment by replacing an outdated and inefficient building with a modern, energy efficient building. Additionally, the former Station 28 contained asbestos, which was abated during demolition and eliminated further exposure by employees and others who enter Station 28 to a known carcinogen. The District states that the Project incorporates energy efficient measures. Instead of a conventional built-up tar roof, the Project will feature a single-ply vinyl roof (cool roof) as well as insulated, upgraded window glazing for energy reduction and cost efficiency.	10	5
Housing Element	El Dorado County has an approved housing element.	10	10
Leverage			
Leverage	The District will be contributing \$488,575 to the Project from cash in its Capital Projects Reserve. Dividing this amount by the \$2,500,000 in I-Bank financing results in a leverage ratio of .20:1.	15	3
Readiness			
Readiness	The District commenced construction of the Project in April 2010.	10	10
TOTAL		200	83

STAFF RECOMMENDATIONS

Staff recommends approval of Resolution No. 10-25 authorizing financing not to exceed \$2,500,000 to the El Dorado County Fire Protection District for the Project subject to the following conditions:

1. **Applicant/Lessee:** El Dorado County Fire Protection District.
2. **Project:** El Dorado County Fire Station 28.
3. **Amount of Financing:** Not to exceed \$2,500,000.
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 Lessee 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. **Lease Term:** Not to exceed 30 years.
6. **Repayment:** Lease payments from the General Fund of the Applicant or any other legally available source of funds available to the Applicant.
7. **Security:** Leasehold interest in property owned by the Applicant and three fire station improvements thereon, located at 6426 Pony Express Trail, Pollack Pines, California, 4040 Carson Road, Camino, California, and 5122 Firehouse Road, Coloma, California or, notwithstanding Section 3 of Resolution No. 09-05, other real property and fire station improvements thereon owned by the Applicant, of sufficient value and title to meet the Criteria, Priorities and Guidelines of the ISRF Program and otherwise acceptable to the Executive Director (Leased Asset).
8. **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 July 1, 2010.
9. **Fees:** Financing origination fee of 0.85% of the financing amount, and an annual fee of 0.30% of the outstanding principal balance.
10. **Type of Financing Agreement:** General Fund Lease Agreement between the Applicant and the I-Bank.
11. **Financing Agreement Covenants:** The following are some of the covenants required to be contained in the Lease Agreement:
 - a. The Lessee 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 of its lease payments 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 Lessee's lease payments are 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 Lessee 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 Lessee 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.

12. Conditions Precedent to Agreement Execution:

- a. Receipt of an opinion of legal counsel to the Lessee that the Lessee 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 Lessee's ability to make lease payments, and that the Lease Agreement and other financing agreements are legal, binding and enforceable agreements of the Lessee.
- b. Execution by the Lessee 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.

13. 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.

14. 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 Lessee 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, Lessee'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 Lessee'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 the staff report presented at the time of adoption of the resolution.
 - iii All prime contracts require appropriate builder's risk insurance and name the Lessee as additional insured and loss payee, require the contractor to maintain liability insurance and name the Lessee as an additional insured, and include performance and payment bond provisions and name the Lessee 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 Lessee 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.

15. 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.

16. Financial and Other Reporting Requirements:

- a. Audited annual Lessee financial statements, due to I-Bank within 210 days of fiscal year end, or such other time that is acceptable to I-Bank.
- b. Adopted annual budget of Lessee due to the I-Bank within 60 days of October 1 of each fiscal year.
- c. Other information as I-Bank may request from time to time.

Exhibit 1—Project Location

El Dorado County



Project and Leased Assets Site Locations

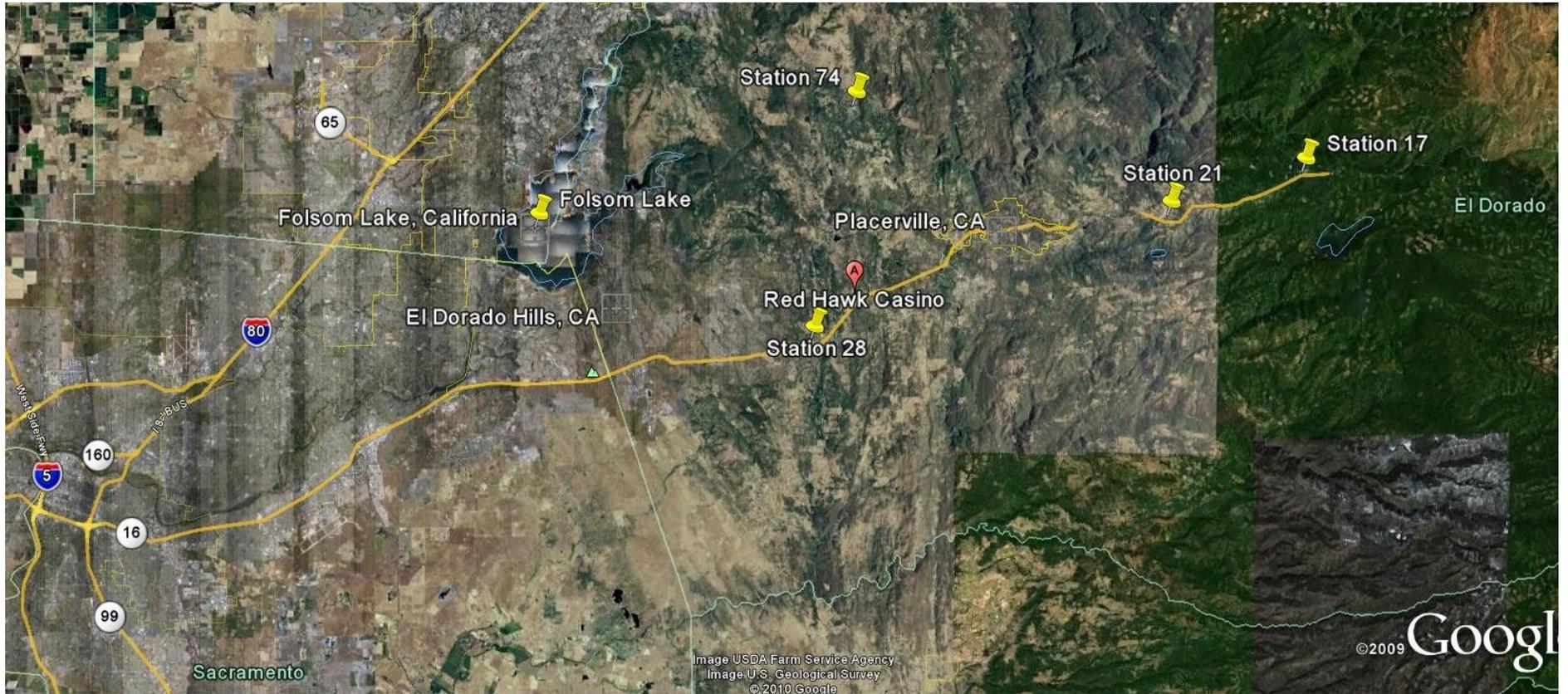


Exhibit 2—Project Design

Architect's Rendering of El Dorado County Station 28



Exhibit 3—District Service Area Map

EL DORADO COUNTY FIRE PROTECTION DISTRICT
State of California

