

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)  
INFRASTRUCTURE STATE REVOLVING FUND PROGRAM (ISRF)**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b> City of Alameda Financing Authority (Authority) <b>Sponsor:</b> City of Alameda (City)	<b>Amount Requested:</b> \$3,000,000	<b>Term Requested:</b> 20 years	<b>Interest Rate<sup>(1)</sup>:</b> 2.29%	<b>Project Type:</b> <input checked="" type="checkbox"/> Infrastructure Project <input type="checkbox"/> Economic Expansion Project
<b>Repayment Source:</b> General Fund			<b>Rating:</b> 2013 GO Bond rating at AA+	
<b>Repayment/Security:</b> Repayment will be made from the City's General Fund. The requested financing (Financing) will be secured by a leasehold interest on the City's Fire Station 3, the project to be constructed with the proceeds of the proposed Financing (Leased Asset). The transaction will be structured as a Financing Lease between the IBank and the Authority (Lease) and related documents including an Assignment Agreement assigning the right to receive lease payments to the IBank (referred to together as the Financing Agreements).				
<b>Other Covenants:</b> <ol style="list-style-type: none"> <li>1. City to budget and appropriate funds sufficient to make annual lease payments.</li> <li>2. City to procure and maintain rental interruption insurance for a period of at least six months beyond the time needed to reconstruct the Leased Asset.</li> <li>3. City to procure CLTA or ALTA title insurance policy.</li> <li>4. City to covenant against permitting future encumbrances of the Leased Asset.</li> </ol>				
<b>Project Name:</b> Fire Station No. 3 (Project), a Portion of the City of Alameda's Emergency Operations Center and Fire Station No. 3 Project			<b>Project Location:</b> The corner of Hibbard Street and Buena Vista Ave, Alameda, CA	
<b>Project Description:</b> The construction of Fire Station No. 3 on vacant land owned by the City.				
<b>Use of Financing Proceeds:</b> Proceeds of the Financing will be used to fund construction and construction contingency, project administration, construction management, inspections, legal, furniture, fixtures, and equipment, machinery and capitalized interest for the Lease Asset.				
<b>Sources and Uses of Proceeds:</b>				
	<b>Project Uses</b>		<b>Project Sources</b>	
			<b>I-Bank</b>	<b>City to Pay</b>
			<b>Total</b>	
Land				\$7,206
Construction cost		\$2,862,600	\$360,000	\$3,222,600
Contingency, project administration, construction management, inspections, legal, machinery furniture, fixtures and equipment			\$1,050,000	\$1,050,000
Soft cost			\$514,000	\$514,000
Capitalized interest		\$137,400		\$137,400
Origination fee			\$30,000	\$30,000
	<b>Total</b>	<b>\$3,000,000</b>	<b>\$1,961,206</b>	<b>\$4,961,206</b>
<b>IBank Staff:</b> Tom Dear			<b>Date of Staff Report:</b> 04/15/2015	
<b>Date of IBank Board Meeting:</b> April 28, 2015			<b>Resolution Number:</b> 15-06	
<b>Staff Recommendation:</b> Staff recommends approval of Resolution No. 15-06 authorizing Financing for the benefit of the City of Alameda for the construction of Fire Station No. 3, a Portion of the City of Alameda's Emergency Operations Center and Fire Station No. 3 Project.				

<sup>(1)</sup>As of February 25, 2015

## EXECUTIVE SUMMARY OF PROJECT AND CREDIT

The City of Alameda (the “City”), through the City of Alameda Financing Authority (the “Authority” or the “Borrower”) requests IBank Financing in the amount of \$3,000,000 to fund Fire Station No. 3 (Project), a Portion of the City of Alameda’s Emergency Operations Center and Fire Station No. 3 Project. The Emergency Operations Center (EOC) will be built simultaneously on a separate yet contiguous parcel with proceeds from the 2013 Financing Project Certificates of Participation issued September 17, 2013 by the City of Alameda Financing Authority. The Project will replace the existing Fire Station No. 3 (FS3), which is temporarily located in a converted leased house 400 feet from the construction site. The original FS3, built in 1924, was closed in 2001 when the building was deemed seismically unsafe.

The Project will be located at the corner of Hibbard Street and Buena Vista Avenue on land owned by the City. The Project will consist of a two-story, 9,200 square feet fire station including operations, firefighters’ sleeping quarters (individual rooms will include a bed, night stand, desk and locker) showers/bathroom, kitchen, living room, exercise room and conference/training room with a public restroom. The station will house a single fire engine and store one fire truck and one ambulance and will have space to store additional reserve apparatus and rescue equipment. The Project will augment the (new) adjacent EOC during an emergency situation at which time the Project’s lobby and conference room will support the Public Information Officer by providing a location to address the public and to organize volunteers. The Borrower will capitalize on a unique opportunity to maximize space and minimize cost by locating and building FS3 and the EOC at the same time on adjacent parcel.

The Borrower’s General Fund will be the repayment source for the Borrower’s obligation under the Financing Agreements. The Borrower has identified the Project as the subject of the Lease.

<b>Security:</b>	Leasehold Interest in the Project
<b>Lease Amount:</b>	\$3,000,000
<b>Term:</b>	20 Years
<b>Interest Rate:</b>	2.29%
<b>IBank Fee:</b>	\$30,000

The historical balances and activities of the General Fund reflect the Borrower’s ability to meet its rental obligation under the new Lease as demonstrated in the following table:

City of Alameda Lease Payment and Funds Balance Analysis					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Net Change in Funds Balance (actual)	\$135,104	\$1,047,769	\$321,774	\$474,246	\$7,848,687
Proposed ISRF Lease Payment	203,986	203,986	203,986	203,986	203,986
Revised net change in fund balance with ISRF payment	(\$68,882)	\$843,783	\$117,788	\$270,260	\$7,644,701

The Net change in Funds Balance (actual) takes in to consideration the current five general fund obligation payments.

The proposed Leased Asset is identified in the following table:

Valuation of Leased Asset for the City of Alameda								
Name of Asset	Address	APN	Year Built	Building Size (square feet)	Type of Construction	Construction Cost of the Project	Apportioned Land Value	Estimate of Value
Fire Station 3	The corner of Hibbard Street and Buena Vista Ave, Alameda, CA	072-323-012	New	9,200	TYPE II-A-- Protected Non-Combustible	\$3,360,000	\$7,206	\$3,367,206
<b>Lease Value</b>								\$3,000,000
<b>Value (Construction Cost of the Project)-to-lease</b>								<b>112%</b>

The Project will be constructed on a 39.4 acre vacant site acquired by the Borrower in 2006 for \$966,207. The site is located at the corner of Hibbard Street and Buena Vista. The Project will occupy approximately 12,800 square feet (.294 acres) which results in the Project land value of \$7,206.

## RECOMMENDATION

Staff recommends approval of Financing for the benefit of the City of Alameda for the construction of Fire Station No. 3 for the following reasons:

1. Delaying construction of the Project will increase the eventual cost of construction to the Borrower.
2. The General Fund demonstrates the Borrower's ability to make payments on the proposed Financing.
  - a. General Fund in the form of all taxes received is trending upward.
  - b. Total Assets, significantly Cash and Investments, are trending upward.
  - c. Unassigned Funds balance is increasing and was \$29,071,830 at fiscal year year-end (FYE) 2014.
  - d. 99% Unassigned Fund balance is covered by Cash and Investments.
3. On October 16, 2013, Standard and Poor's (S&P) affirmed the following to the City of Alameda, CA bond rating,
  - a. 2013 GO Bond rating at AA+.
4. On October 16, 2013, S&P affirmed the following to the City of Alameda Financing Authority CA bond rating:
  - a. 2012 Sewer Revenue Bond rating at AA+.
  - b. 2013 Certificate of Participation rating at AA.
  - c. The Rating Outlook is stable.
  - d. S&P noted the Borrower's sound financial operation, the Borrower's emphasis on expenditure control, its mature and diverse economic and tax base, and a sound debt profile.
5. The Leased Asset proposed as subject of the lease provides coverage that meets and exceeds IBank's minimum standards.

## PROJECT DESCRIPTION

The City of Alameda (City) requests IBank Financing in the amount of \$3,000,000 to fund Fire Station No. 3 (Project), a Portion of the City of Alameda's Emergency Operations Center and Fire Station No. 3 Project. The Emergency Operations Center (EOC) will be built simultaneously on a separate yet contiguous parcel with proceeds from the 2013 Financing Project Certificates of Participation issued September 17, 2013 by the City of Alameda Financing Authority.

The Project will replace existing Fire Station No. 3 (FS3), which is temporarily located in a leased house 400 feet west of the construction site after being relocated from its original location, which was built in 1924 and closed in 2001 when the building was deemed seismically unsafe. When the Project is completed, the lease of the temporary location will be terminated and the original FS3 sold.

The Project will consist of a two-story, 9,200 square feet fire station including operations, firefighters' sleeping quarters (individual rooms will include a bed, night stand, desk and locker) showers/bathroom, kitchen, living room, exercise room and conference/training room with a public restroom. The station will house a single engine company and store a fire truck and ambulance and will have space to store additional reserve apparatus. There will be service aprons on both sides of the apparatus bay to facilitate servicing, cleaning and fueling. The Project will augment the (new) adjacent EOC during an emergency situation at which time the Project's lobby and conference room will support the Public Information Officer by providing a location to address the public and to organize volunteers. The Borrower estimates the economic useful life of the Project to be at least 80 years.

### **Public Benefits of the Fire Station Construction**

The construction of Project and EOC is needed to meet the public safety mission of the Borrower. The Borrower's Fire Department has had insufficient training space; the Project will offer ample room. The current FS3 has been in a temporary space for 14 years creating cramped and inadequate living quarters for the firefighters. The new FS3 will provide the appropriate quarters and space for personnel and auxiliary equipment. The Borrower will realize several benefits from this project; the EOC will be relocated from the basement of the police station to a more adequate space for the Public Informational Officer to facility and organize an area wide emergency. The Borrower will capitalize on a unique opportunity to maximize space and minimize cost by locating and building FS3 and the EOC at the same time on adjacent parcel.

### **Background**

The Borrower has four active fire stations responding to an average 13,398 apparatus calls over two years. The Borrower states the Fire Suppression Division responds to a variety of emergency and non-emergency calls for services. Emergency responses include fire suppression, emergency medical incidents, hazardous materials threats, and various technical rescue incidents. Non-emergency services include fire code enforcement, fire inspections of buildings and facilities, and fire investigative services in support of the Fire Suppression Division. The Alameda Fire Department (Fire Department), which also provides community outreach and education, is comprised of 92 sworn members working from four fire stations strategically located across the City. The 92 men and women staff four fire engines, two fire trucks, and three

ambulances 24 hours per day, 365 days a year. Currently, all engine companies and ambulances are staffed with at least one paramedic each, providing quick Advanced Life Support service throughout the City.

The Fire Preventive Division is responsible for reviewing, updating and enforcing fire-related codes and ordinances. Activities carried out by this Division include code compliance inspections of all occupancies (except single-family and duplex dwellings), vegetation management inspections, fire permit review and inspections, the regulation of household and business-related hazardous waste, and the enforcement of hazardous material storage.

In addition to emergency response, the Fire Department's involvement with the community has grown into a model for public safety. A variety of programs are in place designed to heighten the public's awareness of fire and life safety issues. The Fire Department is also active in area schools, giving students of all ages the chance to learn about, and in some cases, take part in, Fire Department functions.

The Emergency Medical Services (EMS) Division provides quality assurance and support for emergency medical first responder and ambulance transport services. This includes training, licensing, and certification of emergency medical technicians and paramedics. Personnel follow guidelines developed by the Emergency Medical Services Division for the delivery of emergency medical and transport services, including specialized treatment and transport to definitive care (trauma units) at local hospitals. Personnel follow State and County EMS protocols as well as guidelines developed by the Alameda Fire Department Emergency Medical Services Division.

## GENERAL CITY OF ALAMEDA INFORMATION

The City of Alameda (City) is in the County of Alameda (County). It is located on Alameda Island and Bay Farm Island. It is adjacent to and west of the City of Oakland in the eastern portion of the San Francisco Bay across from the Cities of San Francisco and South San Francisco. The City was founded from three small settlements on June 6, 1853. The Borrower became a charter city and adopted a council–manager government in 1916.

According to Money Magazine (MM), the City is named one of the "best places to live" in America. MM states that's in part due to the small town feel of this Bay Area island community. MM continued by stating the Borrower's has a high median family income as compared to the other cities named in the article, a number of educational institutions nearby, more than double the number of restaurants and libraries as the "best places average", excellent air quality, and better than average weather. And an historical notation; the Alameda Terminal was the site of the arrival of the first train via the First Transcontinental Railroad into the San Francisco Bay Area on September 6, 1869.

## CREDIT ANALYSIS

### **Source of Repayment**

The Borrower proposes its General Fund (General Fund) as the source of repayment for the proposed Lease.

## Comparative Balance Sheets

Staff's spread of the Borrower's General Fund Balance Sheets for the past five fiscal years is presented below:

City of Alameda Governmental Funds Balance Sheet										
For Fiscal Year Ending (FYE) June 30,	2010		2011		2012		2013		2014	
Source:	CAFR		CAFR		CAFR		CAFR		CAFR	
<b>Assets</b>										
Cash and Cash Equivalents	\$14,135,816	56.9%	\$16,593,282	63.1%	\$17,873,686	65.6%	\$19,891,495	67.9%	\$28,721,539	77.1%
Restricted cash and Investments	6,000	0.0%	6,000	0.0%	6,000	0.0%	6,000	0.0%	6,000	0.0%
Accounts Receivable	3,913,004	15.7%	4,116,075	15.7%	6,112,908	22.4%	6,342,072	21.7%	5,599,790	15.0%
Interest Receivable	549,614.00	2.2%	444,877	1.7%	388,234	1.4%	319,583	1.1%	265,700	0.7%
Due from Other Funds	818,243	3.3%	136,796	0.5%	196,795	0.7%	523,208	1.8%	411,661	1.1%
Advances from Other Funds	2,698,995.00	10.9%	2,218,995	8.4%	480,000	1.8%		0.0%		0.0%
Loans Receivable	2,200,000	8.9%	2,200,000	8.4%	2,200,000	8.1%	2,200,000	7.5%	2,200,000	5.9%
Prepays and Deposits	527,066	2.1%	580,835	2.2%	5,205	0.0%		0.0%	61,871	0.2%
<b>Total Assets</b>	<b>\$24,848,738</b>	<b>100.0%</b>	<b>\$26,296,860</b>	<b>100.0%</b>	<b>\$27,262,828</b>	<b>100.0%</b>	<b>\$29,282,358</b>	<b>100.0%</b>	<b>\$37,266,561</b>	<b>100.0%</b>
<b>Liabilities</b>										
Accounts Payable	\$615,111	2.5%	\$971,111	3.7%	\$1,240,734	4.55%	\$1,366,197	4.67%	\$1,014,225	2.7%
Accrued Payroll	1,716,625	6.9%	1,721,524	6.5%	1,828,165	6.7%	1,925,558	6.58%	2,124,364	5.7%
Due to Other Agencies	10,089	0.0%	11,972	0.0%	11,630	0.0%	21,775	0.07%	13,670	0.0%
Deferred Revenue	613,194	2.5%	637,850	2.4%	800,214	2.9%		0.00%		0.0%
Unearned Revenue									2,340,283	6.3%
Refundable Deposits	244,494	1.0%	257,409	1.0%	363,317	1.3%	419,743	1.43%	438,803	1.2%
<b>Total Liabilities</b>	<b>3,199,513</b>	<b>12.9%</b>	<b>3,599,866</b>	<b>13.7%</b>	<b>4,244,060</b>	<b>15.6%</b>	<b>3,733,273</b>	<b>12.7%</b>	<b>5,931,345</b>	<b>15.9%</b>
<b>Fund Balances</b>										
Unavailable Revenue							2,056,071	7.0%	1,515	0.0%
Nonspendable	5,426,061	21.8%	4,999,830	19.0%	2,685,205	9.8%	2,200,000	7.5%	2,261,871	6.1%
Committed	400,000	1.6%	400,000	1.5%	400,000	1.5%		0.0%		0.0%
Assigned	737,979	3.0%	603,629	2.3%	315,045	1.2%		0.0%		0.0%
Unassigned	15,085,185	60.7%	16,693,535	63.5%	19,618,518	72.0%	21,293,014	72.7%	29,071,830	78.0%
<b>Total Fund Balances</b>	<b>21,649,225</b>	<b>87.1%</b>	<b>22,696,994</b>	<b>86.3%</b>	<b>23,018,768</b>	<b>84.4%</b>	<b>25,549,085</b>	<b>87.3%</b>	<b>31,335,216</b>	<b>84.1%</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$24,848,738</b>	<b>100.0%</b>	<b>\$26,296,860</b>	<b>100.0%</b>	<b>\$27,262,828</b>	<b>100.0%</b>	<b>\$29,282,358</b>	<b>100.0%</b>	<b>\$37,266,561</b>	<b>100.0%</b>
<b>Total Liabilities to Total Assets</b>	<b>0.13</b>		<b>0.14</b>		<b>0.16</b>		<b>0.13</b>		<b>0.16</b>	
<b>Total Fund Balance/T total Liabilities</b>	<b>6.77</b>		<b>6.30</b>		<b>5.42</b>		<b>6.84</b>		<b>5.28</b>	

The spread of the Comparative Balance Sheet above reflects growth in Total Assets year-over-year. In 2014, Total Assets improved 21.4% over 2013, and 33.3% over the five years reviewed, due to an of increases in revenues and expenditure control. Growth over the five years analyzed occurred primarily in Cash and Investments, which improved 50.7%. Accounts Receivable declined 13.2% in 2014 compared to 2013; conversely 2014 Accounts Receivable represents a 39.4% increase in the five year period. Staff also noticed Interest Receivables are also trending down, typical of the declining interest rate environment. The Unearned Revenue in 2014 has an amount of \$2,340,283, the City states this is from a variety of sources; Unrealized Business License Revenue, \$913,771, Deferred Interest, \$2,001, Alameda Muni Power - Advance of Revenue \$1,000,000, and Unrealized Revenue \$140,299. Overall the Borrower's assets as listed within the Balance Sheets to be increasing, the greatest change is found in Cash and Cash Equivalents, indicating the Borrower is healthy and recovering from the downturn in the economy.

Total Liabilities increased by 33.3% over the five years reviewed with the greatest increase in 2014 of 21.4% over 2013. This overall change is due to several factors; Accrued Wages and Benefits constantly increased 19.2% in the last five years, this is due to senior employees retiring while new staff members are being hired at a similar or greater wage as the new employee's duties are more complex. The Total Liabilities to Total Assets ratios in the five years range from a low in 2013 of 12.7% to the high of 15.9% in 2014; 2012 was also on the high side at 15.6%. There is also a line item 2014 of \$2,340,283 listed as Unearned Revenue; \$2,200,000 represents a loan receivable from Alameda Municipal Power, a component unit. The balance is prepaid items. If the Unearned Revenue figure is removed from the Balance Sheet, Total Liabilities would be consistent to the previous three out of the last four years.

As a result of the changes discussed above, the Total Fund Balance increased 48.1% over the last five years analyzed, with Total Fund Balance at 84% of the Total Assets in FY 2013. Since 2013 Committed Funds and Unassigned Funds have not been funded and all funds have been allocated to "Unassigned Funds" which has grown 48% in the last five years, the Borrower states the funds were allocated as Unassigned as the Borrower has moved funds in preparation for the construction and Financing approval of the subject project.

## Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances

Staff's spread of the Borrower's Statements of Revenues, Expenditures, and Changes in Fund Balances for the past five fiscal years follows:

City of Alameda											
Governmental Funds Statement of Revenues, Expenditures and Changes											
Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances											
	For Fiscal Year Ending (FYE) June 30,	2010	% <sup>(1)</sup>	2011	% <sup>(1)</sup>	2012	% <sup>(1)</sup>	2013	% <sup>(1)</sup>	2014	% <sup>(1)</sup>
	Source:	CAFR		CAFR		CAFR		CAFR		CAFR	
	% Change Year-over-Year in Total Revenues		4.0%		-3.32%		6.09%		9.26%		
<b>Revenues</b>											
Property Taxes		\$22,275,176	33.1%	\$22,369,653	31.9%	\$22,361,895	33.0%	\$23,072,986	32.1%	\$31,960,530	40.7%
Other Local Taxes		26,499,628	39.3%	28,639,941	40.9%	28,418,847	42.0%	29,205,668	40.6%	31,045,777	39.5%
Licenses and Permits		1,826,990	2.7%	1,800,703	2.6%	1,620,247	2.4%	1,824,801	2.5%	1,947,186	2.5%
Fines, Forfeitures and Penalties		537,182	0.8%	622,478	0.9%	715,321	1.1%	760,537	1.1%	1,532,543	2.0%
Revenue from Federal Agencies		6,438,736	9.6%	6,418,223	9.2%	6,138,529	9.1%	6,251,176	8.7%	102,331	0.1%
Use of Money and Property		2,681,525	4.0%	2,376,021	3.4%	1,749,239	2.6%	1,258,352	1.8%	1,538,191	2.0%
Charges for Current Services		7,136,985	10.6%	7,805,962	11.1%	6,724,294	9.9%	9,435,269	13.1%	10,286,044	13.1%
Other Revenue		0	0.0%	29,228	0.0%	5,325	0.0%	48,799	0.1%	99,821	0.1%
<b>Total Revenues</b>		<b>\$67,396,222</b>	<b>100%</b>	<b>\$70,062,209</b>	<b>100%</b>	<b>\$67,733,697</b>	<b>100%</b>	<b>\$71,857,588</b>	<b>100%</b>	<b>\$78,512,423</b>	<b>100%</b>
<b>Expenditures</b>											
<b>Current</b>											
General Government and Support		\$4,375,732	7.3%	\$4,105,299	5.9%	\$4,613,645	6.8%	\$9,917,659	13.8%	\$9,398,373	12.0%
Public Safety-Police		26,598,621	39.5%	26,916,481	38.4%	26,671,501	39.4%	27,052,038	37.6%	27,570,051	35.1%
Public Safety-Fire and Life Safety and Homeland Security		22,589,195	33.5%	24,297,287	34.7%	23,735,534	35.0%	23,262,699	32.4%	24,269,387	30.9%
Public Works		1,842,897	2.7%	1,834,869	2.6%	1,129,448	1.7%	1,080,916	1.5%	1,050,498	1.3%
Neighborhood Services		4,099,247	6.1%	4,588,404	6.5%	4,313,913	6.4%	3,444,188	4.8%	2,277,783	2.9%
Capital Outlay		94,600	0.1%	37,414	0.1%	21,741	0.0%	345,853	0.5%	353,167	0.4%
Principal Retirement		82,040	0.1%	67,360	0.1%	67,360	0.1%	67,360	0.1%	22,048	0.0%
Interest		19,221	0.0%	19,028	0.0%	19,029	0.0%	19,028	0.0%	2,979	0.0%
<b>Total Expenditures</b>		<b>\$59,701,553</b>	<b>89.4%</b>	<b>\$61,866,142</b>	<b>88.3%</b>	<b>\$60,572,171</b>	<b>89.4%</b>	<b>\$65,189,741</b>	<b>90.7%</b>	<b>\$64,944,286</b>	<b>82.7%</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		<b>\$7,694,669</b>	<b>11.4%</b>	<b>\$8,196,067</b>	<b>11.7%</b>	<b>\$7,161,526</b>	<b>10.6%</b>	<b>\$6,667,847</b>	<b>9.3%</b>	<b>\$13,568,137</b>	<b>17.3%</b>
<b>Other Financing Sources (Uses)</b>											
Transfers from Other Funds		216,472		286,886		2,927,139		103,318		940,543	
Transfers to Proprietary Funds		(7,776,037)		(7,435,184)		(9,766,891)		(6,296,919)		(6,659,993)	
<b>Total Other Financing Sources (Uses)</b>		<b>(\$7,559,565)</b>		<b>(\$7,148,298)</b>		<b>(\$6,839,752)</b>		<b>(\$6,193,601)</b>		<b>(\$5,719,450)</b>	
<b>Net Change in Fund Balance</b>		<b>\$135,104</b>		<b>\$1,047,769</b>		<b>\$321,774</b>		<b>\$474,246</b>		<b>\$7,848,687</b>	
<b>Fund Balance, Beginning of Year</b>		<b>21,514,121</b>		<b>21,649,225</b>		<b>22,696,994</b>		<b>23,018,768</b>		<b>23,493,014</b>	
<b>Fund Balance, End of Year</b>		<b>\$21,649,225</b>		<b>\$22,696,994</b>		<b>\$23,018,768</b>		<b>\$23,493,014</b>		<b>\$31,341,701</b>	



The spread of the City's General Fund Statement of Revenue, Expenditures, and Changes in Fund Balances for 2010-2011s finds the eight revenues categories were consistent year over years and increased 27.8% in the last year, a 30.30% over the last five years. Total revenues in the amount of \$78,512,423 were available to be used for City services in 2014. Property Tax and Other Local Tax (including but not limited to: Incremental Property Tax, Urban Runoff Special Assessments, Sales Tax, Utility Users Tax, Transfer Tax, Franchise Tax, Transient Occupancy Tax, Property Tax In-Lieu –listed within the Comprehensive Annual Financial Report) represent the largest sources of revenue for the City. Total of the tax revenues increased three out of the four years comparable periods analyzed, the one year declined and therefore the total of the tax revenue is considered stable.

The greatest growth in tax revenue occurred in 2014 when \$31,960,130 was received Property Taxes. This 27.8% increase over 2013 was realized as the result of a continued rebound in the real estate market. The Borrower experienced an increase in Other Local Taxes in both 2013 and 2014 due to increase of sale activity of real property in 2013. With the number of sale of real property growing the taxable value increased by an average of 60% between the five different properties categories (Single Family Residence, Multifamily, Commercial, Industrial and Vacant).

There are six other categories of revenue for the City: Licenses and Permits; Fines, Forfeitures and Penalties; Revenues from Federal Agencies; Use of Money and Properties; Other Revenue. Four of these six categories experienced revenue growth over the last five years. In the year 2012 five of the revenue categories indicate a decline over the previous year hence the City growth stalled and has been increasing since 2013.

Revenue from Federal Agencies and Use of Money and Property both declined in the last five years. Revenue from Federal Agencies had the most substantial decline; it started at \$6,438,736 in 2011, remaining consistent through 2013 and dropped to \$102,331 in 2014. The Borrower states the decline is not related to Federal Agencies' activities but to a change in reporting on the Borrower's annual financial report. In 2012 and 2013 the Motor Vehicle in Lieu Fees revenue was included in the Revenues from Other Agencies. In 2014, this same revenue, approximately \$6 million per year, were redirected and reported as a Property Tax. We can follow this change with the Property Tax figures; in 2013 the Borrower recorded \$23 million in property tax and in 2014 increased to nearly \$32 million. The Borrower will continue to report the Motor Vehicle in Lieu Fees as a Property Tax in the future as it is received from the County Treasurer-Tax Collector with the property tax remittances.

Use of Money and Property declined over the last five years; 2010 was at \$2,681,525, 2011 at \$2,376,021, 2012 at \$1,749,239, 2013 at \$1,258,352 and 2014 \$1,538,191. The change in this line item is mostly due to the declining interest rates and rents receives. In 2014 the amount of interest received was greater since the amount of funds to invest was higher than previous years and the Borrower received a better return from the Alameda Municipal Power.

Review of Total Expenditures in the above spreads finds an overall upward trend with an 8.1% increase in actual dollars of expenditures over the last five year period, but a decline in expenditures as a percent of Total Revenues. There are eight different expenditure categories; over the last five years General Government and Support had the largest dollar increase of \$5,022,641, a 53.4% increase in this category. The Borrower states that the largest portion of the increase is attributable to \$2,100,000 for payroll accrual as a result of the timing of the pay periods. The second largest increase in the amount

of \$1,900,000 attributable to internal service fund expenditure category operational costs moved to the General Fund in 2013 as a tool the Borrower used to reduce future budget costs. There were also increases in contractual services (\$530,000) and various changes totaling \$667,000.

Three other categories increased during the five years reviewed; Public Safety-Police, 3.52%; Public Safety-Fire and Life Safety and Homeland Security, 6.92%; and Capital Outlay, 73.21%, taking spending from \$94,600 in 2010 (decreased to \$21,741 in 2013) to the current level of \$353,167. It appears the Borrower is beginning to address deferred maintenance and new projects that have gone unfunded over the last few years.

Fund Balance, End of Year increased 30.9% year-over-year, with an increase of 25.0% between 2013 and 2014 as a result of an improving economy, being mindful of expenditures as well as deferring expenditures.

**Historical Ability to Budget Proposed Payment**

The table below reflects the General Fund’s ability to budget the payment for the proposed Financing:

City of Alameda Lease Payment and Funds Balance Analysis					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Net Change in Funds Balance (actual)	\$135,104	\$1,047,769	\$321,774	\$474,246	\$7,848,687
Proposed ISRF Lease Payment	203,986	203,986	203,986	203,986	203,986
Revised net change in fund balance with ISRF payment	(\$68,882)	\$843,783	\$117,788	\$270,260	\$7,644,701

The Borrower’s General Fund demonstrates the ability to budget the proposed Lease payment from operations in all years except 2010. With the exception of 2012, the Borrower has steadily decreased the amount transferred to proprietary funds, transferring \$1,840,115 less in 2014 than in 2010. The Borrower believes this activity will continue in the future and will be consistent to the activity to previous years. The Borrower appears to use the Transfers from Other Funds and Transfer to Proprietary Funds as a method of smoothing.

**Budget**

The Borrower adopts a budget annually as the foundation for its financial planning and control. A review of the Borrower’s budgeting process finds that the Borrower conservatively budget total revenues having historically underestimated Total Revenues received. Only one year in the last five reviewed, 2011, found the budgeted amount for Total Revenue exceeded actual Total Revenues received. The Borrower is also conservative when budgeting Total Expenditures. With the exception of 2014, actual expenditures was always less than the budgeted amounts.

Staff reviewed the Borrower’s Budget for 2015 and found that the Borrower notes positive trends in sales, property, and hotel taxes. The Borrower states its 2015 Budget includes 100% staffing assumptions (the Borrower currently has three full time positons to fill, two police officers and one Distribution Engineer), and does not factor in vacancies.

In the 2015 Budget, the Borrower estimated \$74,794,000 in General Fund revenues against \$76,587,000 in Total Expenditures creating a need for the Borrower to draw on its General Fund Balance in the amount of \$1,793,000 in 2015. Looking forward, the Borrower projects to run a budget

deficit at least through 2018; using an additional \$9,230,728 of its reserves. The Borrower uses conservative revenue and aggressive liability figures when budgeting. The example above regarding staffing indicates this thought process. The budget is calculated to be fully staffed yet it is unlikely the Borrower will be able to hit or maintain that staffing level. When reviewing forecasted expenses the figures were generally overstated than actual, indicating the Borrower has budget monitoring processes in place.

### **Pension Plan**

As of the most recent CalPERS evaluation date of 2012, the Borrower paid 100% their annual actuarially required contributions for fiscal years 2012-13 and 2013-14. The Safety Plan Actuarial (Police and Fire employees) stands at 73.2% of what is considered to be fully funded while the Miscellaneous Plan Actuarial (the rest of the City's employees) is 88.5%. The Borrower plan is to address the standing pension short-fall in the coming years once the prior pension plans have been completely retired.

The two closed city sponsored pension plans are separate from CalPERS; both were discontinued, one (Plan 1079) when the Borrower decided to join CalPERS and the original plan (Plan 1079) was retired when Plan 1079 was introduced: Plan 1079 has 28 existing participants and Plan 1082 is down to two participants. The Borrower's policy is to fund the plans on a "pay-as-you-go" basis. As the Borrower's obligation to these closed pension plans decreases, the Borrower will make up the funding short-fall in the CalPERS.

## Existing Obligations Payable from General Fund

The following table lists the current obligations payable from the General Fund:

General Fund Obligations for The Alameda Public Financing Authority							
Debt Issues	Security	Underlying Rating (at issuance)	Date Issued	Amount Issued	Outstanding Balance	Highest Annual Payment	Maturity
2013 Financing Project	Alameda City Hall	S&P AA	9/25/2013	\$9,610,000	\$9,010,000	\$767,500	5/1/2030
2003 ARRA Demand Revenue Bonds Series A and B	Letter of Credit	S&P AAA	12/8/2003	\$13,440,000	\$11,400,000	\$1,000,000	12/1/2033
Proposed Ibank ISRF Financing					\$3,000,000	\$1,966,219	
<b>Total Annual Payment</b>						\$3,733,719	
General Fund Obligations for The City of Alameda							
Debt Issues	Security	Underlying Rating (at issuance)	Date Issued	Amount Issued	Outstanding Balance	Highest Annual Payment	Maturity
2008 Refinancing Project	Alameda Police Administration Building	S&P AA-	6/24/2008	\$4,575,000	\$2,845,000	\$617,806	5/1/2022
2013 General Obligation Refunding Bond	Ad Valorem Property Tax	S&P AA+	9/25/2013	\$9,010,000	\$9,010,000	\$627,300	8/1/2027
HUD Section 108 Loan	Parking Garage	None	1/5/2006	\$7,000,000	\$6,191,000	\$20,819	8/1/2027
<b>Total Annual Payment</b>						\$1,265,925	

<b>2014 Total Revenues</b>	<b>\$78,512,423</b>
<b>15% of 2014 Total Revenues</b>	<b>\$11,776,863</b>
<b>Total annual Payments</b>	<b>\$4,999,644</b>
<b>% of 2014 Total Revenue</b>	<b>6.37%</b>

The calculations above demonstrate that the Borrower's total General Fund debt service (inclusive of the proposed IBank Financing) is less than 15% of the Borrower's General Fund Total Revenue for the most recently completed fiscal year.

S&P stated the rating outlook is stable based upon the Borrower's sensible financial operations, the Borrower emphasis on expenditure control, its mature and diverse economic and tax base, and a sound debt profile.

## Analysis of the Proposed Leased Asset

The Borrower has identified the Project as the subject of the Lease. The table below reflects the land value, the replacement cost of the proposed leased asset, the percentage of asset to be encumbered, and the Value-to-Lease ratio.

Valuation of Leased Asset for the City of Alameda								
Name of Asset	Address	APN	Year Built	Building Size (square feet)	Type of Construction	Construction Cost of the Project	Apportioned Land Value	Estimate of Value
Fire Station 3	The corner of Hibbard Street and Buena Vista Ave, Alameda, CA	072-323-012	New	9,200	TYPE II-A-- Protected Non-Combustible	\$3,360,000	\$7,206	\$3,367,206
<b>Lease Value</b>								\$3,000,000
<b>Value (Construction Cost of the Project)-to-lease</b>								<b>112%</b>

The Borrower submitted a Phase I Environmental Site Assessment and a Phase II Soil and Groundwater Investigation Report for the proposed leased asset. Staff's review of both reports found no potential environment hazards on the proposed leased asset. Staff also received and reviewed a preliminary title report (Prelim) for the Lease Asset, which reflects that the Leased Asset has no liens or restrictions and that title to the property is held by the Borrower. All exceptions are customary, reasonable, and acceptable to IBank.

## Risk Assessment

Primary risks of the proposed Financing structure are as follows:

1. The Borrower is not prohibited from incurring additional obligations payable from the General Fund.
2. Under State law governing the proposed Financing structure, the Borrower is prohibited from making Lease payments on the Leased Asset while it does not have use and occupancy of the Leased Asset, such as when the Leased Asset is being constructed.
3. The security is leasehold interest on the Leased Asset and not a lien on the General Fund.
4. Under State law governing the proposed Financing structure, Lease payments to the IBank (designed to match debt service) are subject to abatement, with the amount of abatement proportionate to the extent and disruption, of the Borrower's use of the leased asset.
5. Under State law governing the proposed Financing structure, acceleration in the event of default by the Borrower is prohibited. Thus, in the event of payment default, IBank must annually pursue a remedy of compelling past due lease payments.

## Mitigation Factors

1. The Borrower will covenant against permitting additional encumbrances against the Leased Asset.
2. Capitalized interest has been included in the uses of the proceeds of the proposed Financing.
3. The Borrower will covenant to annually budget and appropriate Lease payments.
4. Lease payments may be made from any General Fund revenue providing a broad source of funds and greater flexibility to the Borrower to meet the required Lease obligations.
5. The Borrower will covenant to procure rental interruption insurance for the Leased Asset so that in the event of abatement, such insurance would cover abated Lease payments for a period of at least six months beyond the period required to rebuild the Leased Asset.

## Compliance with IBank Underwriting Criteria

The application and the proposed Financing are in compliance with the Credit Underwriting Guidelines and Procedures as stated in Exhibit A of the Criteria as follows:

- **Application Eligibility:** The City of Alameda Financing Authority is an eligible applicant and the City of Alameda is an eligible Sponsor under the Criteria.
- **Project Eligibility:** The Project is an eligible “Infrastructure Project” under the Criteria.
- **Limitation of Total Obligations:** The total General Fund obligation (inclusive of the proposed IBank Financing) is less than 15% of the Borrower’s General Fund Total Revenue.
- **Leased Asset:** The Leased Asset is the subject of the Financing, Fire Station #3, and is acceptable to IBank.
- **Repayment Ability:** The source and the diversity of General Fund appear to adequately cover existing expenditures, Financing obligations, and the proposed IBank Lease payments.

Through the Financing Agreements, the Borrower will covenant to the following in accordance with the Criteria:

- Annually budget and appropriate funds sufficient to make annual lease payments.
- Enter into a fixed-price construction contract.
- Obtain payment and performance bonds, builder’s risk insurance, and liability and worker’s compensation insurance.
- Procure and maintain rental interruption insurance for a period of at least six months beyond the time needed to reconstruct the Leased Asset.
- Procure a CLTA or ALTA title insurance policy.
- Construction contingency and capitalized interest is sized to fully cover debt service payable during the estimated construction period plus six months are included in the Project budget.

In addition to the covenants required by the Criteria, Staff is recommending the following covenants:

- City will not permit additional encumbrances against the Leased Asset.

## Interest Rate Setting Demographics

The interest rate for the proposed Lease was set based upon the following statistics obtained from the 2013 American Community Survey.

<b>Unemployment Rate</b>	The Borrower's unemployment rate was 7.6%, which is 76% of the State's rate of 10.0%
<b>Median Household Income</b>	The Borrower's median household income was \$75,212 which is 124.96% of the State's median house income of \$60,190.

### STAFF RECOMMENDATION

Staff recommends adoption of Resolution No. 15-06 authorizing Financing for the benefit of the City of Alameda for the construction of a Portion of the City of Alameda's Emergency Operations Center and Fire Station #3 Project.

1. **Application/Borrower:** City of Alameda Financing Authority.
2. **Sponsor:** City of Alameda.
3. **Project:** The construction of Fire Station #3.
4. **Amount of Financing:** \$3,000,000.
5. **Maturity:** Not to exceed 20 years.
6. **Repayment/Security:** General Fund Lease provides IBank with a leasehold interest on the Borrower's Fire Station #3.
7. **Interest Rate:** 2.29%.
8. **Fees:** City to pay the origination fee of 1.00%, (\$30,000) and an annual fee of 0.30% of the outstanding balance.
9. **Not an Unconditional Commitment:** If approved by the Board, the IBank's resolution shall not be construed as unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank and the Borrower into a Financing agreement, in form and substance satisfactory to IBank and its counsel.
10. **Limited Time:** If approved by the Board, the Board's approval expires 180 days from the date of its adoption. Thus, the City, the Authority and the IBank must enter into the Financing agreement no later than 180 days from such date. Once the approval has expired, there can be no assurances that the IBank will be able to provide the Financing or consider extending the approval period.
11. **Financing Agreement Covenants:** Aside from usual and customary terms and conditions for this type of Financing, Staff recommends IBank's Financing agreements include without limitation, the following additional conditions and covenants:
  - a. City to comply with all applicable requirements of ISRF Program Criteria, as well as all applicable laws, regulations and permitting requirements associated with public works projects.
    - i. City to enter a fixed-price construction contract payment and performance bonds, construction contingency funds, builder's risk insurance, and liability and worker's compensation insurance will be required.

- b. City to budget and appropriate funds sufficient to make annual Lease payments.
- c. City to procure and maintain rental interruption insurance for a period of at least six months beyond the time needed to reconstruct the Leased Asset.
- d. City to procure CLTA or ALTA title insurance policy.
- e. City to covenant against future encumbrances against the Leased Asset.
- f. City to provide to IBank within 240 days of the end of each fiscal year a copy of its audited financial statements, together with an annual certificate demonstrating compliance with the foregoing covenants, as well as other information as IBank may request from time to time.