



**Redevelopment and Financial Consulting**

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**ANNUAL REPORT**

*For 2014-15 Fiscal Year*

**Refunding Revenue Bonds**

**1999 Series A**

**2003 Series A**

**2004 Series A**

**2005 Series A**

**2007 Series A**

**2014 Series A**

**Refunding Lease Revenue Bonds**

**2006 Series A**

*South Tahoe Joint Powers Financing Authority  
Successor Agency to the South Tahoe Redevelopment Agency*

South Tahoe Redevelopment Project No. 1

March 2015

**Section A - Introduction**

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The South Tahoe Joint Powers Financing Authority (Authority) has issued the following bonds that are on parity with each other:

<b>Bond Issue</b>	<b>Par Amount</b>
1999 Series A Refunding Revenue Bonds	\$9,295,000 (refunded with 2014 Bonds)
2003 Series A Refunding Revenue Bonds	\$10,855,000 (refunded with 2014 Bonds)
2004 Series A Refunding Revenue Bonds	\$12,205,000 refunded with 2014 Bonds)
2005 Series A Refunding Revenue Bonds	\$39,255,000
2007 Series A Refunding Revenue Bonds	\$20,360,000
2014 Series A Refunding Revenue Bonds	\$29,230,000

The Authority's 2014 Series A Refunding Bonds refunded the 1999, 2003 and 2004 Bonds. The 2005, 2007 and 2014 issues are referred to as the Senior Bonds. The Bonds are secured by Loan Agreements entered into with the former South Tahoe Redevelopment Agency (Former Agency). Due to the redevelopment Dissolution Act, the City of South Lake Tahoe has assumed the role of Successor Agency to the South Tahoe Redevelopment Agency (Agency).

The source of repayment for the Loans first includes a portion of the tax increment revenues generated within the boundaries of Redevelopment Project Area No. 1 (Project Area). The portion of the tax increment revenues that are pledged to Loan repayment represents total tax increment revenues less allocations to the taxing entities and property tax administrative fees and are referred to as Tax Increment Revenues. Second, the transient occupancy tax (TOT) revenues of the Project Area are pledged to make debt service payments on the Loans. Combined, the Tax Increment Revenues and the TOT Revenues are referred to as the Pledged Revenue.

Tax increment revenues are used first to pay debt service, followed by TOT Revenues to the extent needed to cover remaining debt service. The City receives all remaining TOT Revenues after the payment of the portion of the Senior Bonds not paid by tax increment. The remaining TOT Revenues are used by the City to make debt service payments on the Authority's \$23,245,000 Refunding Revenues Bonds, 2006 Series A (Lease Bonds).

As part of the issuance of the Bonds, the Agency executed Continuing Disclosure Certificates. The Disclosure Certificates were executed and delivered by the Agency for the benefit of the holders and beneficial owners of the bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The 2014 Disclosure Certificate requires the Agency to file an Annual Report based on the then applicable rules and electronic format prescribed by the MSRB, which meets the requirement for the other Disclosure Certificates as well. The Annual Report must be filed by March 31 of each year.

The Annual Report needs to contain or incorporate by reference the following financial information or operating data:

- Incremental taxable value and historical tax increment receipts.
- Historical information on Project Area TOT revenues.
- The ten major property tax assesses in the Project Area.
- The ten major TOT assesses in the Project Area.

The Annual Report must also contain the Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles. Because of the Dissolution Act, there are not separate audited financial statements prepared for the Agency. Commencing with the audited financial statements for the City for the fiscal year ended September 30, 2012, the activities of the Agency are reported as a fiduciary trust fund as part of the City's Comprehensive Annual Financial Report (CAFR), which is in accordance with guidance issued by the California Department of Finance (DOF) and available on the DOF's website ([www.dof.ca.gov](http://www.dof.ca.gov)) as of December 20, 2013. The Agency financials are reported in the CAFR under "Private-Purpose Trust Fund". This fund reports the assets, liabilities and activities of the Successor Agency.

This Annual Report provides the required information for the Agency's fiscal year ending September 30, 2014. In addition to the required information described above, the Agency is including the following:

1. Information on Pledged Revenues and coverage on debt service for the Senior Bonds and the Lease Bonds for 2013-14 and estimates for 2014-15.
2. Information on the Agency's current status under its tax increment limit and the remaining annual debt service on the tax increment supported Senior Bonds.

The balance of this Report shows the required financial information and operating data. The value and revenue estimates contained in the following sections of this Report are based upon information and data that we believe to be reasonable and accurate. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore are not represented as results that will actually be achieved. However, we have conscientiously prepared them for the Agency on the basis of our experience in the field of financial analysis for redevelopment agencies.

## **Financial and Operating Data**

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The financial and operating data required to be disclosed as part of the Annual Report is primarily included in the Official Statement for the 2014 Bonds that was dated November 20, 2014. That document is incorporated by reference and is available on the MSRB's web site at <http://emma.msrb.org/>.

Two items that were not included in that document were information on coverage on the Lease Bonds and the Agency's status under its tax increment limit. This information is contained herein.

### **Pledged Revenues and Coverage**

Table 1 provides information on Pledged Revenues and coverage for the Senior Bonds and the Lease Bonds prior to the Dissolution Act. Coverage on the Senior Bonds is shown based on Loan Year Debt Service. As shown on Table 1, debt service coverage for the Senior Bonds for 2013-14 was 146 percent. Coverage is estimated at 139 percent for 2014-15.

The remaining Pledged Revenues equaled \$2.7 million for 2013-14 and are estimated at \$2.2 million for 2014-15. The remaining Pledged Revenues were sufficient to cover debt service on the Lease Revenue Bonds in 2013-14, and are estimated to be sufficient for 2014-15.

### **Tax Increment Limit and Annual Debt Service**

The Agency has agreed to provide information on its tax increment limit and annual bond debt service pursuant to certain provisions of the Bond documents. Specifically, the Agency has agreed to provide a Consultants Report to FSA and AMBAC on the aggregate amount of annual debt service remaining on all outstanding Bonds payable from Tax Increment Revenues and the amount of such revenues the Agency is permitted to receive under the Plan Limitations.

It is unclear under the Dissolution Act whether the tax increment limit contained in the former Redevelopment Plan applies. There is no longer a housing set-aside requirement, which affects the amount Tax Increment Revenue. Based on each of these issues, we have prepared our best estimate of the status of the Project Area under the tax increment limit, assuming this limit still applies.

Table 2 provides the required information. The Agency has a total tax increment limit of \$568 million, and has received \$76 million through 2013-14. This leaves \$492 million, of which \$462 million is available for debt service. Aggregate TI Supported Senior Bond Debt Service (as defined in the Fourth Supplemental Loan Agreement) totals \$81.8 million. The TI Cap Coverage (as defined in the Fourth Supplemental Loan Agreement)

for the 2014-15 Bond Year is 565 percent, which is greater than the 105 percent level that would trigger an early bond call. Therefore, the Agency does not need to set aside Surplus Revenues to effect an optional redemption of the Senior Authority Bonds on October 1 of the same Bond Year.

Table 1  
 South Tahoe Redevelopment Agency  
 Project No. 1

**BOND COVERAGE ANALYSIS - PRIOR TO DISSOLUTION ACT**

	Actual 2013-14	Estimate 2014-15
<b>Pledged Revenues: (1)</b>		
TOT Revenues	4,165,430	4,390,000
Tax Increment	4,282,119	3,345,028
<b>Total</b>	<b>8,447,549</b>	<b>7,735,028</b>
<b><u>Loan Year Debt Service - Parity Bonds</u></b>		
1999 Series A	559,544	0
2003 Series A	621,130	0
2004 Series A	748,778	0
2005 Series A	2,697,250	2,700,500
2007 Series A	1,166,078	1,165,078
2014-15 Series A	0	1,692,129
<b>Total</b>	<b>5,792,780</b>	<b>5,557,707</b>
<b>Debt Service Coverage</b>	<b>146%</b>	<b>139%</b>
Pledged Revenue after Parity Debt	2,654,769	2,177,321
2006 Lease Bonds (2)	1,830,306	1,828,106
<b>Net TOT Revenues</b>	<b>824,463</b>	<b>349,215</b>

(1) Numbers from Official Statement dated November 20, 2014 or per City records.

(3) The 2006 Lease Bonds are paid by the City from TOT remaining after Parity obligations are paid.

Table 2

**ANNUAL COVERAGE REPORT AS OF 2014-15**

<b>TI Cap Coverage</b>	
Total Tax Increment Limit	568,000,000
Tax Increment Received (1)	76,019,796
Remaining Gross TI Cap	491,980,204
Less: Housing Set-Aside (2)	0
Property Tax Admin Fees (2)	14,021,436
Pass Throughs (2)	15,766,827
Remaining Pledged TI Cap	462,191,941
Aggregate TI Supported Senior Bond Debt Service	81,778,245
TI Cap Coverage	565%

	<b>Analysis of Aggregate TI Supported Senior Bonds Debt Service</b>							Aggregate TI	Projected	Projected	
	2005	2007	2014	Senior Bonds	Actual TOT	50% of	Senior Bonds	Supported	Remaining	TI Cap	
	Bonds	Bonds	Bonds	Debt Service	Revenues (3)	TOT Revenue	Debt Service	Senior Bonds	Pledged	TI Cap (4)	Coverage
2014-15	2,668,875	1,160,579	376,845	4,206,299	4,165,430	2,082,715	2,123,584	79,654,661	458,823,529		576%
2015-16	2,670,625	1,159,329	1,908,418	5,738,372	4,165,430	2,082,715	3,655,657	75,999,004	455,436,766		599%
2016-17	2,669,375	1,162,454	1,737,868	5,569,697	4,165,430	2,082,715	3,486,982	72,512,022	451,968,797		623%
2017-18	2,660,250	1,161,229	1,737,868	5,559,347	4,165,430	2,082,715	3,476,632	69,035,390	448,417,997		650%
2018-19	2,663,000	1,160,498	1,739,168	5,562,666	4,165,430	2,082,715	3,479,951	65,555,439	444,782,710		678%
2019-20	2,657,375	1,163,986	1,749,268	5,570,629	4,165,430	2,082,715	3,487,914	62,067,525	441,061,246		711%
2020-21	2,653,375	1,161,944	1,744,843	5,560,162	4,165,430	2,082,715	3,477,447	58,590,078	437,251,882		746%
2021-22	2,660,500	1,159,331	1,740,843	5,560,674	4,165,430	2,082,715	3,477,959	55,112,119	433,352,859		786%
2022-23	2,653,625	1,160,991	1,745,093	5,559,709	4,165,430	2,082,715	3,476,994	51,635,125	429,362,385		832%
2023-24	2,647,875	1,161,675	1,752,218	5,561,768	4,165,430	2,082,715	3,479,053	48,156,072	425,278,630		883%
2024-25	2,652,750	1,160,625	1,746,518	5,559,893	4,165,430	2,082,715	3,477,178	44,678,894	421,099,728		943%
2025-26	2,648,000	1,162,875	1,762,493	5,573,368	4,165,430	2,082,715	3,490,653	41,188,241	416,823,778		1012%
2026-27	2,643,625	1,159,250	1,760,918	5,563,793	4,165,430	2,082,715	3,481,078	37,707,163	412,448,837		1094%
2027-28	2,639,375	1,159,750	1,762,381	5,561,506	4,165,430	2,082,715	3,478,791	34,228,372	407,972,926		1192%
2028-29	2,635,000	1,164,125	1,766,647	5,565,772	4,165,430	2,082,715	3,483,057	30,745,315	403,394,026		1312%
2029-30	665,625	1,162,375	3,535,700	5,363,700	4,165,430	2,082,715	3,280,985	27,464,330	398,710,077		1452%
2030-31	668,375	1,159,625	3,540,050	5,368,050	4,165,430	2,082,715	3,285,335	24,178,995	393,918,978		1629%
2031-32	670,125	1,160,750	3,518,300	5,349,175	4,165,430	2,082,715	3,266,460	20,912,535	389,018,585		1860%
2032-33	666,000	1,160,625	3,518,600	5,345,225	4,165,430	2,082,715	3,262,510	17,650,025	384,006,713		2176%
2033-34	670,875	1,164,125	3,518,800	5,353,800	4,165,430	2,082,715	3,271,085	14,378,940	378,881,133		2635%
2034-35	669,625	1,161,250	3,636,300	5,467,175	4,165,430	2,082,715	3,384,460	10,994,480	373,639,570		3398%
2035-36	4,586,875	1,162,000	0	5,748,875	4,165,430	2,082,715	3,666,160	7,328,320	368,279,705		5025%
2036-37	0	5,748,625	0	5,748,625	4,165,430	2,082,715	3,665,910	3,662,410	362,799,171		9906%
2037-38	0	5,745,125	0	5,745,125	4,165,430	2,082,715	3,662,410	0	357,195,555		

Aggregate TI Supported Senior Bond Debt Service

81,778,245

(1) Amount received through 2013-14.

(2) Housing set-aside no longer required ; property tax administrative fees at 3%; pass throughs at 2.84%.

(3) Actual TOT Revenues for 2013-14.

(4) Based on tax increment projections.