

CITY OF SOUTH LAKE TAHOE
\$5,765,000
2012 CERTIFICATES OF PARTICIPATION
(ROAD IMPROVEMENT PROJECTS)

El Dorado County, California
Dated: July 24, 2012
Base CUSIP⁺: 838661



2016 ANNUAL CONTINUING DISCLOSURE
INFORMATION STATEMENT

As of April 21, 2017

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* In its role as Disclosure Consultant and Dissemination Agent, Willdan Financial Services has not passed upon the accuracy, completeness or fairness of the statements contained herein.

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I. INTRODUCTION

Pursuant to an Official Statement dated July 12, 2012, the City of South Lake Tahoe (the “City”) issued 2012 Certificates of Participation (Road Improvement Projects) (the “Certificates”) in the principal amount of \$5,765,000. The proceeds from the sale of the Certificates were used to finance street and other improvements within the City.

The City is located in El Dorado County (the “County”), on the South Shore of America’s largest alpine lake. The City extends about five miles west-southwest along U.S. Route 50, also known as Lake Tahoe Boulevard. The County reaches to the west within 25 miles of Sacramento, California. 150 miles west of the County is San Francisco, while 400 miles south is Los Angeles. Placerville is located 44 miles east of Sacramento. The City, sixty miles east of Placerville, is the hub of the Tahoe recreation area.

The Certificates represent a direct, undivided fractional interest of the Owners thereof in the Lease Payments (which include principal and interest components) to be made by the City for the right to the use of certain real property and improvements thereon (the “Leased Property”) within the City pursuant to that certain Lease Agreement, dated as of July 1, 2012 (the “Lease Agreement”). The City has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. However, the Certificates and the obligation of the City to make Lease Payments do not constitute an obligation for which the City is obligated to levy or pledge any form of taxation. Neither the Certificates nor the obligation of the City to make Lease Payments constitutes an indebtedness of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction.

This Annual Continuing Disclosure Information Statement is being provided pursuant to a covenant made by the City for the benefit of the holders of the Certificates and includes the information specified in a Continuing Disclosure Certificate. For further information and a more complete description of the City and the Certificates, reference is made to the Official Statement.

The information set forth herein has been furnished by the City and by other sources, which is believed to be accurate and reliable, but is not guaranteed as to accuracy or completeness. Statements contained in this Annual Continuing Disclosure Information Statement that involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, the information and expressions of opinion contained herein are subject to change without notice and the delivery of this Annual Continuing Disclosure Information Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described herein.

This Annual Continuing Disclosure Information Statement is of a factual nature without subjective assumptions, opinions, or views and may not be relied upon as advice or recommendation to purchase or sell any product or utilize any particular strategy relating to the issuance of municipal securities or purchase of financial products. Willdan Financial Services and its employees (collectively "Willdan") do not recommend any actions and are not acting as an advisor to any municipal entity, board, officer, agent, employee or obligated person pursuant to Section 15B of the Exchange Act. Prior to acting on any information or material contained in this communication, you should discuss it with appropriate internal or external advisors and experts and only rely upon their advice.

II. REFERENCE TO PREVIOUSLY FILED INFORMATION

For historical information, reference is made to the Annual Continuing Disclosure Information Statements previously filed on Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA").

III. CERTIFICATE INFORMATION

A. PRINCIPAL OUTSTANDING

Certificate Issue	As of March 31, 2017
2012 COP (Road Improvement Projects)	\$5,400,000

B. FUND INFORMATION

Fund	As of March 31, 2017
Reserve Balance	\$334,983
Reserve Requirement	\$334,975

IV. FINANCIAL INFORMATION

A. AUDITED FINANCIAL STATEMENTS

The audited financial statements for the City for the fiscal year ended September 30, 2016 has been separately filed with EMMA and are hereby incorporated by reference into this Annual Continuing Disclosure Information Statement.

B. GENERAL FUND BALANCE SHEET

	Fiscal Year				
	2011/12	2012/13	2013/14	2014/15	2015/16
Assets					
Cash and Investments	\$9,930,102	\$13,036,103	\$13,573,914	\$18,750,885	\$20,514,502
Accounts Receivable – net	2,316,373	2,081,572	2,378,260	2,393,298	2,814,708
Interest Receivable	22,789	17,082	15,871	19,243	52,718
Due from Other Funds	2,672,779	479,249	374,795	215,943	214,821
Prepaid Items	134,510	85,211	91,896	126,093	144,703
Inventory	329,049	365,934	336,772	251,178	207,025
Land Held for Resale	0	0	800,000	800,000	800,000
Advances to Other Funds	3,675,083	4,202,262	0	0	0
Advances to RDA Successor Agency	0	0	4,638,627	4,638,627	4,638,627
Total Assets	\$19,080,685	\$20,267,413	\$22,210,135	\$27,195,267	\$29,387,104
Liabilities					
Accounts Payable	\$619,628	\$603,516	\$842,532	\$955,372	\$698,002
Accrued Expenditures	1,792,054	1,670,660	1,948,880	1,775,842	1,046,001
Deposits	343,607	380,562	499,851	793,870	1,068,379
Due to Developers	113,538	69,819	250,592	270,392	460,509
Unearned Revenue	0	0	92,860	46,890	0
Total Liabilities	\$619,628	\$603,516	\$3,634,715	\$3,842,366	\$3,272,891
Fund Balances					
Nonspendable	\$4,138,642	\$4,653,407	\$5,867,295	\$5,815,898	\$5,790,355
Restricted	750,000	750,000	750,000	750,000	0
Assigned	712,247	349,473	129,569	476,210	305,689
Unassigned	10,610,969	11,789,976	11,828,556	16,310,793	20,018,169
Total Fund Balances	\$16,211,858	\$17,542,856	\$18,575,420	\$23,352,901	\$26,114,213
Total Liabilities and Fund Balances	\$19,080,685	\$20,267,413	\$22,210,135	\$27,195,267	\$29,387,104

C. GENERAL FUND REVENUES, EXPENDITURES AND BALANCES

The following table sets forth the City's General Operating Fund Revenues and Expenditures for the last five fiscal years.

	Fiscal Year				
	2011/12	2012/13	2013/14	2014/15	2015/16
Revenues					
Taxes and Assessments	\$21,049,773	\$22,929,567	\$25,723,575	\$28,007,656	\$32,363,006
Licenses, Permits and Impact Fees	1,195,883	1,411,579	1,476,166	1,447,553	1,575,213
Fines and Penalties	207,862	172,308	218,503	124,706	109,270
Use of Money and Property	214,943	256,596	246,578	336,716	285,753
Intergovernmental Revenue	2,495,827	2,320,253	2,044,568	2,437,425	2,304,195
Charges for Current Services	2,566,461	3,161,520	3,332,316	4,418,685	4,104,940
Other Revenue	548,025	291,019	197,698	246,949	378,324
Total Revenues	\$28,278,774	\$30,542,842	\$33,239,404	\$37,019,690	\$41,120,701
Expenditures					
Current:					
General Government	\$5,964,396	\$5,524,511	\$5,427,445	\$5,452,758	\$6,176,652
Public Safety	13,496,198	12,695,919	12,880,769	11,904,737	12,879,028
Public Works	1,803,961	3,257,466	3,731,009	4,428,515	5,586,247
Parks and Recreation	2,564,009	2,262,803	2,218,253	2,127,678	1,625,167
Capital Outlay	1,740	973	2,107,453	224,465	199,894
Debt Service:					
Principal	31,539	29,418	33,956	35,252	21,772
Interest and Fiscal Charges	756,867	210,642	3,240	1,718	678
Total Expenditures	\$24,618,710	\$23,981,732	\$26,402,125	\$24,175,123	\$26,489,438
Excess (Deficiency) of Revenues over Expenditures	\$3,660,064	\$6,561,110	\$6,837,279	\$12,844,567	\$14,631,263
Other Financing Sources (Uses)					
Proceeds from Sale of Property	\$24,974	\$1,104	\$3,065	\$1,926	\$274,405
Transfers In	1,795,319	664,259	766,675	361,989	428,987
Transfers Out	(4,719,489)	(5,895,475)	(6,999,455)	(8,431,001)	(12,573,343)
Total Other Financing Sources (Uses)	(\$2,899,196)	(\$5,230,112)	(\$6,229,715)	(\$8,067,086)	(\$11,869,951)
Net Change in Fund Balances	\$760,868	\$1,330,998	\$607,564	\$4,777,481	\$2,761,312
Special Item					
RDA Asset Transfer Review	\$0	\$0	\$425,000	\$0	\$0
Net Change in Fund Balances	\$760,868	\$1,330,998	\$1,032,564	\$4,777,481	\$2,761,312
Beginning Fund Balances	\$15,450,990	\$16,211,858	\$17,542,856	\$18,575,420	\$23,352,901
Ending Fund Balances	\$16,211,858	\$17,542,856	\$18,575,420	\$23,352,901	\$26,114,213

V. OPERATING INFORMATION

A. GENERAL FUND REVENUES BY TYPE

The following table sets forth the City's General Fund Revenues by Type.

	Fiscal Year Ended September 30,				
	2012	2013	2014	2015	2016
Property Tax ⁽¹⁾	\$5,845,191	\$6,055,494	\$6,267,156	\$6,563,991	\$6,913,751
Transient Occupancy Tax ⁽²⁾	4,739,027	5,895,327	6,814,461	7,929,345	9,861,388
Sales Tax Revenue	3,628,554	3,925,754	4,302,447	4,448,793	5,269,471
Measure Q	2,053,230	2,137,961	2,306,575	2,406,750	2,526,452
Vehicle License Fees	1,744,747	1,685,526	1,702,543	1,739,701	1,829,621
Franchise Fees	1,372,732	1,303,092	1,369,723	1,413,076	1,437,379
Business License Fees	1,139,616	1,332,060	1,329,533	1,312,780	1,344,513
Parks and Recreation ⁽³⁾	1,115,321	1,231,049	1,271,604	1,245,427	1,086,204
Public Safety ⁽³⁾	1,760,882	1,516,986	1,397,399	1,335,964	1,630,945
Public Services ⁽³⁾	966,900	1,492,449	1,372,618	2,620,117	2,407,746
Transfers In ⁽⁴⁾	1,692,198	399,029	799,797	137,219	203,064
All Other Revenue	3,926,112	5,317,949	5,722,378	6,043,750	7,313,559
Total Revenues	\$29,984,510	\$32,292,676	\$34,656,234	\$37,196,913	\$41,824,093

(1) Does not include property tax attributable to property in the redevelopment area.

(2) Does not include Transient Occupancy Tax ("TOT") attributable to property in the redevelopment area; due to the statewide dissolution of redevelopment agencies, in the future such TOT will become general fund moneys. Does not include VHR audits.

(3) Includes transfers-in to these departments.

(4) Transfers In represents residual amounts not included in any of the following categories: Parks and Recreation, Public Safety, or Public Services.

B. ASSESSED VALUATION

The following table sets forth the total assessed valuations for the City.

Fiscal Year	Secured Value	Utility Value	Unsecured Value	Total Assessed Valuation	Percentage Change
2012/13	\$3,686,469,851	\$0	\$88,299,118	\$3,774,768,969	(3.29%)
2013/14	3,719,613,139	0	94,426,393	3,814,039,532	1.04%
2014/15	3,826,850,451	0	93,750,130	3,920,600,581	2.79%
2015/16	4,012,840,871	0	90,397,095	4,103,237,966	4.66%
2016/17	4,195,441,787	0	91,432,001	4,286,873,788	4.48%

Source: California Municipal Statistics, Inc.

C. SECURED TAX CHARGES AND DELINQUENCIES

The following table illustrates historical property tax delinquencies within the City.

Fiscal Year	Secured Tax Levy ⁽¹⁾	Amount Delinquent June 30	Percent Delinquent June 30
2011/12	\$39,675,552	\$1,486,478	3.75%
2012/13	38,993,066	1,093,406	2.80%
2013/14	39,561,819	979,736	2.48%
2014/15	40,321,679	691,350	1.71%
2015/16	43,908,455	606,575	1.38%

(1) All secured ad-valorem taxes collected by the County for the property located within the City except for El Dorado Irrigation District ad-valorem tax for land only property.

Source: California Municipal Statistics, Inc.

D. OUTSTANDING LONG-TERM DEBT

September 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue Bonds	\$11,372,653	\$15,115,000	\$7,315,000	\$7,530,000	\$18,687,653	\$22,645,000
Pension Bonds	11,905,000	11,905,000	0	0	11,905,000	11,905,000
COPs	5,400,000	5,525,000	0	0	5,400,000	5,525,000
Loans payable	1,018,299	1,253,560	93,805	100,253	1,112,104	1,353,813
Capital lease obligations	4,419,737	4,919,583	0	85,864	4,419,737	5,005,447
Totals	\$34,115,689	\$38,718,143	\$7,408,805	\$7,716,117	\$41,524,494	\$46,434,260

Note: Additional information on the City's long-term debt can be found in **Note 7** of the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2016.

E. PENSION PLANS

Substantially all full-time City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (“CalPERS”). The City’s employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. CalPERS operates an agent multiple employer defined benefit pension plan for the City’s miscellaneous plans and operates a cost sharing multiple employer defined benefit for the City’s safety plans.

As of September 30, 2016, the City reported total net pension liability, deferred outflows of resources and deferred inflows of resources for both Miscellaneous and Safety Plans as follows:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan	\$30,476,862	\$3,980,666	\$97,581
Safety Plan	32,546,803	4,140,394	1,406,614
Total	\$63,023,665	\$8,121,060	\$1,504,195

For more information on the City’s Pension Plans, reference is made to **Note 10** of the City’s Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2016.

Miscellaneous Plan

For the measurement period ended June 30, 2016, the City recognized pension expense of \$2,430,453.

The following table sets forth the schedule of funding for the Miscellaneous Plan and does not include the impact of the pension obligation bonds.

**Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period –
Miscellaneous Plan - Last 10 Years***

	2016	2015
Total pension liability		
Service cost	\$ 1,298,374	\$ 1,289,914
Interest on Total Pension Liability	6,167,070	5,921,706
Changes of Assumptions		(1,373,535)
Difference between Expected and Actual Experience	613,254	(675,672)
Benefit payments, including refunds of employee contributions	(4,801,972)	(4,441,507)
Net change in total pension liability	3,276,726	720,906
Total pension liability -- beginning	81,753,836	81,032,930
Total pension liability -- ending (a)	\$ 85,030,562	\$ 81,753,836
Plan fiduciary net position		
Contributions - employer	\$ 2,330,646	\$ 1,964,036
Contributions - employee	579,366	538,590
Net investment income	267,823	1,263,648
Plan to Plan Resource Movements	13,996	
Benefit Payments, Including Refunds of Employee Contributions	(4,801,972)	(4,441,507)
Administrative Expense	(34,250)	(63,276)
Net change in fiduciary net position	(1,644,391)	(738,509)
Plan fiduciary net position -- beginning	56,198,091	56,936,600
Plan fiduciary net position -- ending (b)	\$ 54,553,700	\$ 56,198,091
Net pension liability -- ending (a) - (b)	\$ 30,476,862	\$ 25,555,745
Plan fiduciary net position as a percentage of the total pension	64.16%	68.74%
Covered payroll	\$ 7,567,926	\$ 6,923,639
Net pension liability as a percentage of covered payroll	402.71%	369.11%
Measurement Date	June 30, 2016	June 30, 2015

Notes to Schedule:

Changes in assumptions: In 2015, the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent.

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

Schedule of Contributions – Miscellaneous Plan - Last 10 years*

	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 2,424,596	\$ 2,039,415
Contributions in relation to the actuarially determined contribution	<u>(2,424,596)</u>	<u>(2,039,415)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,818,112	\$ 7,025,581
Contributions as a percentage of covered payroll	31.01%	29.03%

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

Safety Plan

For the year ended September 30, 2016, the City recognized pension expense of \$5,256,836.

The following table sets forth the schedule of funding for the Safety Plan and does not include the impact of the pension obligation bonds.

Schedule of the City's Proportionate Share of the Net Pension Liability – Safety Cost Sharing Plan – Last 10 Years*

	2016	2015
City's proportion of the net pension liability	0.3761%	0.3640%
City's proportionate share of the net pension liability	\$ 32,546,803	\$ 24,987,173
City's covered payroll	\$ 6,144,036	\$ 6,149,004
City's proportionate Share of the net pension liability as a percentage of covered payroll	529.73%	406.36%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%
Measurement Date	June 30, 2016	June 30, 2015

Notes to Schedule:

Changes in assumptions: In 2015, the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent.

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

Schedule of Contributions – Safety Cost Sharing Plan - Last 10 years*

	2016	2015
Actuarially determined contributions	\$ 1,978,077	\$ 1,692,799
Contributions in relation to the actuarially determined contribution	(1,978,077)	(13,140,470)
Contribution deficiency (excess)	<u><u> </u></u>	<u><u>\$ (11,447,671)</u></u>
Covered-employee payroll	\$ 6,170,675	\$ 6,110,069
Contributions as a percentage of covered-employee payroll	-32.06%	-215.06%

* - Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

F. CITY EMPLOYEES

As of September 30, 2016, the City employed approximately 177 full-time equivalent budgeted employees. There are six employee bargaining unions as shown below. In addition, the City employs approximately 20 management employees who are not represented by a union or other collective bargaining agent. The City has not experienced any work stoppages or strikes by its employees.

<u>Labor Organization</u>	<u>Employees</u>	<u>Contract Expiration Date</u>
Police Employee Unit	17	September, 2017
Police Officers Association	29	September, 2017
Police Supervisors Committee	11	September, 2017
Admin & Confidential Employees	17	September, 2017
Stationary Engineers, Local 39	47	September, 2017
Firemen's Association	36	September, 2017

G. TEETER PLAN

The County assesses properties and bills, collects, and distributes property taxes to the City. The City participates in the County “Teeter Plan” method of property tax distribution. Under the Teeter Plan, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

VI. OCCURRENCE OF LISTED EVENTS

The Continuing Disclosure Covenants outline the Occurrence of Listed Events that must be reported in not more than ten (10) business days after the occurrence of the event, ***irrespective of any determination as to whether such event may or may not be deemed material.*** The City has no knowledge that any of the events listed below have occurred or have not been previously reported during the fiscal year ended September 30, 2016.

1. Principal and interest payment delinquencies on the Certificates.
2. Unscheduled draws on debt service reserves reflecting financial difficulties.
3. Unscheduled draws on credit enhancements reflecting financial difficulties.
4. Substitution of credit or liquidity providers, or their failure to perform.
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates.
6. Defeasances.
7. Tender offers.
8. Bankruptcy, insolvency, receivership or similar proceedings pertaining to the City.
9. Ratings changes.

The Continuing Disclosure Covenants outline the Occurrence of Listed Events that must be reported in not more than ten (10) business days after the occurrence of the event, ***if deemed material.*** The City has no knowledge that any of the events listed below have occurred or have not been previously reported during the fiscal year ended September 30, 2016.

10. Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the City or the dissolution of the City.
11. Appointment of a successor or additional Trustee or the change of the name of the Trustee or any successor or additional Trustee.
12. Non-payment related defaults.
13. Modifications to the rights of Holders.
14. Optional, contingent or unscheduled certificate calls, prepayment or redemptions other than defeasances.
15. Release, substitution or sale of property securing repayment of the Certificates.