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ANNUAL REPORT

For 2017-18 Fiscal Year
With Data for 2018-19 Fiscal Year

Refunding Revenue Bonds
2014 Series A
2015 Series A
2017 Series A

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

South Tahoe Redevelopment Project No. 1

March 2019

Introduction

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

Bond Issue	Par Amount
2014 Series A Refunding Revenue Bonds	$29,230,000
2015 Series A Refunding Revenue Bonds	$27,525,000
2017 Series A Refunding Revenue Bonds	$17,640,000

The 2014, 2015 and 2017 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 $10,055,000 Refunding Revenues Bonds, 2016 Series A (Lease Bonds), which refunded the Authority's 2006 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 Disclosure Certificates require 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, including information from Table 6 of the Official Statement.
- Historical information on Project Area TOT revenues, as shown on Table 7 of the Official Statement.
- The ten major property tax assessees in the Project Area similar to Table 2 of the Official Statement.
- The ten major TOT assessees in the Project Area similar to Table 8 of the Official Statement.
- An update to the debt service coverage based on actual TOT revenues for the most recently completed Fiscal Year, and estimated TA revenues based on the most recently available assessor's tax roll, in the form of Table 11 in the Official Statement.

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) 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, 2018 and data for 2018-19. 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.

Redevelopment Dissolution Act

In December 2011, the California Supreme Court issued its opinion in the case of *California Redevelopment Association, et al., v. Matosantos, et al.* The Court upheld the right of the state to dissolve redevelopment agencies pursuant to AB 26 which along with subsequent amendments pursuant to AB 1484 and other legislation is referred to herein as the Dissolution Act. Based on modified time lines approved by the Court, all redevelopment agencies, including the South Tahoe Redevelopment Agency, were dissolved effective February 1, 2012. The City of South Lake Tahoe has assumed the role of Successor Agency and is charged with winding down the affairs of the former Agency and to make payments due on enforceable obligations, as defined in the Dissolution Act. The Bonds are an enforceable obligation under the Dissolution Act.

Under the Dissolution Act, the County Auditor-Controller is to determine the amount of property taxes that would have been allocated to each redevelopment agency had the agency not been dissolved. All former tax increment monies go into a Redevelopment Property Tax Trust Fund (Trust Fund or RPTTF) which is controlled by the County Auditor-Controller.

The money in the Trust Fund is used as follows:

1. Allocate to the County property tax administrative fees and other costs needed to implement the Dissolution Act.
2. Pay all pass-through payments to the taxing entities. The former Project Area has an obligation to make payments required pursuant to former Section 33676, Section 33401 and Section 33607.5 and 33607.7 of the Community Redevelopment Law. None of these payments were subordinate to debt service on the Bonds.
3. Pay obligations required per the Recognized Obligation Payment Schedule (ROPS). The senior obligation payable from former Tax Revenues listed on the ROPS is payment of debt service on the Bonds.
4. Pay the administrative allowance, which goes to the Successor Agency to be used to wind down the affairs of the former redevelopment agency.
5. Distribute the balance to the taxing entities pursuant to Section 34183 and 34188 of the Dissolution Act.

The allocations from the Trust Fund take place in two six-month installments, in January and June of each year. The Successor Agency prepares a forward-looking ROPS on an annual basis which is split into two six-month periods. Money in the RPTTF is distributed twice annually, in January and June. Once approved by the Oversight Board and the state Department of Finance, the County Auditor-Controller releases the Trust Fund revenues to pay for the obligations on the ROPS. Any excess Trust Fund revenue not needed to meet the various obligations shown in items 1 through 4 above would be reallocated to the taxing entities. Due to the nature of the Agency's debt, where former tax increment is first used to pay debt service on the Bonds, the Agency is currently receiving all of the available tax increment in each six month period and there is no excess revenue to be distributed.

Financial and Operating Data

This section of the Report includes information on historical revenues, the Top Ten Assessees and other required information. It also includes information on Pledged Revenues and coverage ratios on the Senior Bonds.

Historical Revenues

Table 1 provides information on historical assessed values in the Project Area between 2013-14 and 2017-18. Taxable values have increased each year since 2015-16, and went up again in 2018-19 by almost $50 million, or 9 percent.

Table 1 also provides information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is compared to the actual receipt of tax increment (exclusive of supplemental revenues) to determine collection trends. The County has typically allocated 100 percent of the estimated tax levy to the Agency. Agency revenues are reduced for roll corrections and refunds of property taxes due to successful assessment appeals. Supplemental property taxes are also shown on Table 1 and are a function of new construction or changes of ownership since the last property tax lien date.

Table 2 provides summarized information on TOT collections in the Project Area for the period 2007-08 through 2017-18. Since 2013-14, TOT revenue has increased by $2.3 million.

Top Ten Assessees

The Top Ten Assessees in the Project Area are summarized on Table 3. The secured taxable value for the Top Ten Assessees represents 55.5 percent of the total secured value of the Project Area as of 2018-19 and 70.8 percent of secured incremental value.

Table 4 "Ten Major TOT Revenue Generators," lists the ten major TOT generators in the Project Area, the TOT revenue paid by each, and the percentage of total Project TOT revenue represented by each lodging facility. As shown on Table 4, the cumulative TOT revenue of the ten largest facilities represented 88 percent of the total TOT revenue in the Project Area for 2017-18.

Pledged Revenues and Coverage

As previously stated, the source of repayment for the Loans are the tax increment revenues and TOT revenues (Pledged Revenues) generated within the boundaries of the Project Area. This section includes information on Pledged Revenues and debt service coverage for the Senior Bonds and the Lease Bonds.

Annual Tax Increment Revenues

Table 5 provides information on the estimated tax increment revenues of the Project Area for 2018-19. The value of secured and unsecured property shown on Table 5 is based on information provided by El Dorado County. Unitary revenues are based on prior year estimates from the County. Total tax increment is estimated at $4.7 million.

The tax increment revenues of the Project Area were subject to certain adjustments and liens, as described in this section. Prior to the Dissolution Act, the adjustments and liens were required to be paid prior to the payment of debt service on the Senior Bonds.

Adjustments to Revenue

There are three adjustments to the tax increment revenues shown on Table 5: property tax administrative fees; allocations pursuant to former Section 33676 of the Community Redevelopment Law (CRL); and property tax refunds, as discussed above.

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. In addition, the County is authorized to deduct its costs for implementing the Dissolution Act from the RPTTF. The fees have been estimated and shown on Table 5.

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount. Such amounts are calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. Taxing entities can receive a proportionate share of such revenues if they elected to do so prior to adoption of the redevelopment plan. El Dorado County, the El Dorado County Water Agency, the El Dorado County Service Area #3, the South Tahoe Public Utility District, and the El Dorado County Office of Education have elected to receive additional allocations of property taxes generated in the Project Area. Such amounts have been shown on Table 5 as Section 33676 allocations.

Housing Set-Aside

Prior to the Dissolution Act, redevelopment agencies were required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. The housing set-aside deposit is no longer required.

Tax Sharing Payments

At the time of adoption of the Project Area, the Agency entered into individual agreements with three taxing entities. The agreements provide that the Agency will pay each taxing entity an amount of money to alleviate the fiscal detriment created by the Project Area. The Agency's tax sharing agreements are with the Lake Tahoe Community College District and the Lake Tahoe Unified School District. It is estimated that tax sharing payments under the agreements will be $153,000 based on the actual amount reported by the County for 2017-18. As shown on Table 5, Tax Increment Revenues have been reduced by this amount.

After reduction for the above liens, Tax Increment Revenues are estimated at $4.1 million for 2018-19.

TOT Revenues

TOT Revenues for 2017-18 equaled $6.5 million, as shown on Table 2.

Pledged Revenues and Coverage

Table 6 provides information on Pledged Revenues and coverage for the Senior Bonds. Coverage on the Senior Bonds is shown based on Loan Year Debt Service. As shown on Table 6, debt service coverage for the Senior Bonds for 2017-18 was 207 percent and is estimated at 206 percent for 2018-19.

Table 1
South Tahoe Successor Agency
Project Area No. 1

HISTORICAL TAX INCREMENT REVENUE

	2017-18	2016-17	2015-16	2014-15	2013-14
Total Taxable Value	$546,966,164	$515,438,034	$514,345,054	$522,396,203	$582,591,002
Less: Base Year Value	130,614,321	130,614,321	130,614,321	130,614,321	130,614,321
Incremental Taxable Value	416,351,843	384,823,713	383,730,733	391,781,882	451,976,681
Tax Increment	4,204,518	3,946,462	3,861,291	3,942,274	4,519,767
Less: Section 33676 Allocations	402,053	381,485	366,040	346,199	341,709
Less: Property Tax Admin. Fees	88,931	87,592	83,924	55,663	85,726
Net Tax Increment Levy (1)	**3,713,534**	**3,477,385**	**3,411,327**	**3,540,412**	**4,092,332**
Adjustments to Levy (2)					
Penalties & Interest	1,036	2,105	4,739	5,294	1,220
Less: Refunds / Roll Corrections	0		192,044	196,857	105,113
Other Adjustments	39,695				5,013
Total Tax Increment Receipts	**3,754,265**	**3,479,490**	**3,224,022**	**3,348,849**	**3,983,426**
Receipts to Levy %	**101.10%**	**100.06%**	**94.51%**	**94.59%**	**97.34%**
Supplemental Property Taxes	224,461	18,000	33,476	(166,576)	446,805
Total Tax Increment Receipts	**3,978,726**	**3,497,490**	**3,257,498**	**3,182,273**	**4,430,231**
Receipts to Levy %	**107.14%**	**100.58%**	**95.49%**	**89.88%**	**108.26%**
Liens on Tax Increment (3)					
Housing Set-Aside	0	0	0	0	0
Taxing Entity Share	153,146	153,146	148,112	148,112	148,112
Total Liens	153,146	153,146	148,112	148,112	148,112
Tax Increment Revenues	**$3,825,580**	**$3,344,344**	**$3,109,386**	**$3,034,161**	**$4,282,119**

(1) Reflects intial levy calculation by the County, reduced by Section 33676 and property tax administrative payments, which are deducted prior to payment of tax increment to the Agency.
(2) Amounts shown are adjustments to the intial levy reported by the County. In 2012-13 refunds were made to the owner of Project 3 for multiple prior year appeals that had been filed.
(3) Reflects reductions for prior liens on tax increment, in order to determine the amount available to pay bond debt service. Starting in 2011-12 under AB 26, the housing set-aside was no longer required.

Table 2
South Tahoe Successor Agency
Project Area No. 1

PROJECT AREA HISTORICAL TOT REVENUE (1)

Fiscal Year (2)	Lake Tahoe Hotel (3) TOT Revenue	Diamond Resorts TOT Revenue	Grand Residence TOT Revenue	Timber Lodge TOT Revenue	All Other Project TOT	Total Project TOT	Percentage Change	Dollar Change
2007-08	1,983,151	166,392	954,634	599,574	1,377,867	5,081,618	8.14%	382,610
2008-09	1,557,831	168,964	761,863	742,885	1,251,066	4,482,609	-11.79%	(599,009)
2009-10	1,526,269	181,517	712,296	742,693	924,033	4,086,809	-8.83%	(395,800)
2010-11	1,597,481	186,335	781,425	683,723	789,881	4,038,845	-1.17%	(47,964)
2011-12	1,519,096	142,462	812,556	773,897	837,655	4,085,666	1.16%	46,821
2012-13	1,429,460	172,469	891,828	957,825	950,632	4,402,214	7.75%	316,548
2013-14	1,187,237	220,326	841,723	938,927	977,217	4,165,430	-5.38%	(236,784)
2014-15	1,375,947	392,281	818,738	1,047,169	1,096,856	4,730,990	13.58%	565,560
2015-16	1,629,816	451,867	1,022,522	1,286,893	1,434,153	5,825,251	23.13%	1,094,261
2016-17	1,744,331	491,829	1,113,243	1,438,550	1,487,393	6,275,346	7.73%	450,095
2017-18	1,819,277	477,783	1,077,641	1,233,560	1,897,097	6,505,358	3.67%	230,012

(1) TOT revenue generated within the boundaries of the South Tahoe Redevelopment Project No. 1.
(2) Reflects City Fiscal Year beginning October 1 and ending September 30.
(3) Formerly Embassy Suites Hotel.

Table 3
South Tahoe Successor Agency
Project Area No. 1

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	Type of Use	Number of Parcels	2018-19 Secured Value (1)	%of Secured Value (2)	%of Secured Incremental Value (2)
1) FIRST AMERICAN TRUST FSB T (3)	Time share parcels	7,967	$65,483,406	11.32%	14.44%
2) ROPPONGI-TAHOE LP	Lake Tahoe Resort Hotel	1	56,465,961	9.76%	12.45%
3) TAHOE CHATEAU LAND HLDG CA LLC	Chateau Commercial	22	41,136,846	7.11%	9.07%
4) TSI INVESTMENTS NV LLC	Retail in Heavenly Village	8	35,152,862	6.08%	7.75%
5) TAHOE CRESCENT PTN LP	Raleys Shopping Center	3	26,248,608	4.54%	5.79%
6) ZALANTA RESORT AT THE VILLAGE	Condos / Commercial	41	25,529,115	4.41%	5.63%
7) MARRIOTT OWNERSHIP RESORTS (4)	Timber Lodge / Grand Res.	144	24,670,559	4.27%	5.44%
8) HEAVENLY VALLEY LTD PTNSHP	Gondola	1	24,125,806	4.17%	5.32%
9) NBT ERI TAHOE CA LLC	Hotel Becket	2	13,345,596	2.31%	2.94%
10) SKI RUN MARINA	Retail at Ski Run	1	9,061,082	1.57%	2.00%
Total Valuation			**321,219,841**	**55.54%**	**70.84%**

(1) Based on ownership of locally-assessed secured property.
(2) Based on 2017-18 Project Area secured taxable value of $578,325,086
and incremental secured value of $453,461,856.
(3) First American Trust holds time share parcels in several different resorts.
(4) Includes the value of common area and timeshare intervals that have been sold back to Marriott.
The value also includes Grand Residence parcels owned by Marriott under the name
Heavenly Resort Properties.

Source: El Dorado County Assessor Records

Table 4
South Tahoe Successor Agency
Project No. 1

TEN MAJOR TOT REVENUE GENERATORS

No.	Business Name	Rooms	2017-18	Percent of (1) Total TOT Revenue
1	Lake Tahoe Resort * (2)	400	$1,819,244	28%
2	Marriott's Timber Lodge *	264	1,233,560	19%
3	Marriott's Grand Residence *	199	1,077,641	17%
4	Diamond Resorts * (3)	182	477,783	7%
5	Hotel Becket (4)	177	338,952	5%
6	Holiday Inn Express SLT	89	274,916	4%
7	Postmarc Hotel and Spa * (5)	54	225,978	3%
8	Blue Lake Inn	68	125,264	2%
9	Super 8	120	108,841	2%
10	Stardust Vacation Club	103	71,029	1%
	SUBTOTAL		**5,753,208**	**88%**
	All other TOT		752,150	
	Grand Total		**6,505,358**	

** A tax rate of 12 percent applies to these businesses. A 10 percent rate is paid at all other facilities. In November 2016 tax rates were increased 2% but those revenues are not available for the payment of debt service and are excluded from the numbers shown above.*

(1) Based on total TOT revenue collected in 2017-18 in the Project Area of $6,106,016.
(2) Formerly the Embassy Suite Hotel.
(3) Formerly known as the Embassy Vacation Resort and the Lake Tahoe Vacation Resort.
(4) Combines the former 968 Park Hotel and the Park Tahoe Inn.
(5) Formerly the Fantasy Inn.

Table 5
South Tahoe Successor Agency
Project Area No. 1

ESTIMATE OF TAX INCREMENT REVENUES (1)
FOR FISCAL YEAR 2018-19

	2018-19
Net Local Secured	578,325,036
Net Unsecured	20,130,027
Total Secured & Unsecured	598,455,063
Base Year Taxable Value	130,614,321
Incremental Taxable Value	467,840,742
Tax Increment	4,678,407
Unitary Property Tax Revenue	41,000
Total Tax Increment Revenue	**4,719,407**
Adjustments to Tax Revenue	
Section 33676 Allocations (2)	420,558
Property Tax Administration Fees (3)	89,807
Liens on Tax Increment	
Taxing Entity Share (4)	153,146
Tax Increment Revenues	**$4,055,897**

(1) Taxable values as reported by El Dorado County.
(2) Reflects property tax allocations made pursuant to Section 33676 of the Health and Safety Code.
(3) Reflects percent that the actual reduction for 2017-18 equaled in relation to total tax increment.
(4) Based on the provisions of the tax sharing agreements.

Table 6
South Tahoe Successor Agency
Project Area No. 1

PROJECTED DEBT SERVICE COVERAGE (1)
(000's Omitted)

Fiscal Year	Projected TA (2) Revenue	Actual TOT (3) Revenue	Total Projected Revenue	Series 2014 Debt Service	Series 2015 Debt Service	Series 2017 Debt Service	Total Debt Service	Debt Service Coverage
2017 - 2018	$3,825,580	$6,505,358	$10,330,938	$1,751,269	$2,477,294	$765,252	$4,993,815	207%
2018 - 2019	4,055,897	6,505,358	10,561,255	1,762,069	2,463,694	897,344	5,123,107	206%
2019 - 2020	4,055,897	6,505,358	10,561,255	1,761,469	2,464,694	944,094	5,170,257	204%
2020 - 2021	4,055,897	6,505,358	10,561,255	1,758,219	2,472,194	935,894	5,166,307	204%
2021 - 2022	4,055,897	6,505,358	10,561,255	1,763,469	2,465,694	937,494	5,166,657	204%
2022 - 2023	4,055,897	6,505,358	10,561,255	1,771,719	2,455,694	938,494	5,165,907	204%
2023 - 2024	4,055,897	6,505,358	10,561,255	1,762,719	2,462,194	943,894	5,168,807	204%
2024 - 2025	4,055,897	6,505,358	10,561,255	1,775,319	2,449,194	943,494	5,168,007	204%
2025 - 2026	4,055,897	6,505,358	10,561,255	1,774,669	2,452,444	943,494	5,170,607	204%
2026 - 2027	4,055,897	6,505,358	10,561,255	1,777,169	2,445,944	947,494	5,170,607	204%
2027 - 2028	4,055,897	6,505,358	10,561,255	1,782,594	2,437,769	945,244	5,165,607	204%
2028 - 2029	4,055,897	6,505,358	10,561,255	3,605,700	618,769	941,994	5,166,463	204%
2029 - 2030	4,055,897	6,505,358	10,561,255	3,610,700	615,994	942,744	5,169,438	204%
2030 - 2031	4,055,897	6,505,358	10,561,255	3,579,400	647,400	942,244	5,169,044	204%
2031 - 2032	4,055,897	6,505,358	10,561,255	3,582,200	640,600	945,494	5,168,294	204%
2032 - 2033	4,055,897	6,505,358	10,561,255	3,585,000	638,400	943,694	5,167,094	204%
2033 - 2034	4,055,897	6,505,358	10,561,255	3,707,600	515,600	946,444	5,169,644	204%
2034 - 2035	4,055,897	6,505,358	10,561,255	0	4,212,000	953,594	5,165,594	204%
2035 - 2036	4,055,897	6,505,358	10,561,255	0	0	5,169,219	5,169,219	204%
2036 - 2037	4,055,897	6,505,358	10,561,255	0	0	5,162,500	5,162,500	205%

(1) Revenues are based on a Fiscal Year ending September 30 of each year and debt service is presented on a bond year ending October 1 of each calendar year.
(2) Tax increment (TA) revenues reflect actuals for 2017-18 and estimates for the current 2018-19 fiscal year based on reported assessed value.
(3) TOT Revenues are actuals from the recently completed 2017-18 fiscal year.