

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



2015 ANNUAL CONTINUING DISCLOSURE
INFORMATION STATEMENT

As of May 31, 2016

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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 report 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. CERTIFICATE INFORMATION

A. PRINCIPAL OUTSTANDING

Certificate Issue	As of March 31, 2016
2012 COP (Road Improvement Projects)	\$5,525,000

B. FUND INFORMATION

Fund	As of March 31, 2016
Reserve Balance	\$334,977
Reserve Requirement	\$334,975

III. FINANCIAL INFORMATION

A. AUDITED FINANCIAL STATEMENTS

The audited financial statements for the City for the fiscal year ended September 30, 2015 will be separately filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") and are hereby incorporated by reference into this Annual Continuing Disclosure Information Statement.

B. GENERAL FUND BALANCE SHEET

	Fiscal Year				
	2010/11	2011/12	2012/13	2013/14	2014/15
Assets					
Cash and Investments	\$11,873,621	\$9,930,102	\$13,036,103	\$13,573,914	\$18,750,885
Accounts Receivable – net	1,334,756	2,316,373	2,081,572	2,378,260	2,393,298
Interest Receivable	24,322	22,789	17,082	15,871	19,243
Due from Other Funds	998,071	2,672,779	479,249	374,795	215,943
Prepaid Items	97,655	134,510	85,211	91,896	126,093
Inventory	299,918	329,049	365,934	336,772	251,178
Land Held for Resale	0	0	0	800,000	800,000
Advances to Other Funds	3,648,163	3,675,083	4,202,262	0	0
Advances to RDA Successor Agency	0	0	0	4,638,627	4,638,627
Total Assets	\$18,276,506	\$19,080,685	\$20,267,413	\$22,210,135	\$27,195,267
Liabilities					
Accounts Payable	\$549,889	\$619,628	\$603,516	\$842,532	\$955,372
Accrued Expenditures	1,946,577	1,792,054	1,670,660	1,948,880	1,775,842
Deposits	277,463	343,607	380,562	499,851	793,870
Due to Developers	51,587	113,538	69,819	250,592	270,392
Unearned Revenue	0	0	0	92,860	46,890
Total Liabilities	\$549,889	\$619,628	\$603,516	\$3,634,715	\$3,842,366
Fund Balances					
Nonspendable	\$4,150,867	\$4,138,642	\$4,653,407	\$5,867,295	\$5,815,898
Restricted	750,000	750,000	750,000	750,000	750,000
Assigned	678,804	712,247	349,473	129,569	476,210
Unassigned	9,871,319	10,610,969	11,789,976	11,828,556	16,310,793
Total Fund Balances	\$15,450,990	\$16,211,858	\$17,542,856	\$18,575,420	\$23,352,901
Total Liabilities and Fund Balances	\$18,276,506	\$19,080,685	\$20,267,413	\$22,210,135	\$27,195,267

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				
	2010/11	2011/12	2012/13	2013/14	2014/15
Revenues					
Taxes and Assessments	\$17,628,408	\$21,049,773	\$22,929,567	\$25,723,575	\$28,007,656
Licenses, Permits and Impact Fees	1,089,750	1,195,883	1,411,579	1,476,166	1,447,553
Fines and Penalties	262,038	207,862	172,308	218,503	124,706
Use of Money and Property	338,303	214,943	256,596	246,578	336,716
Intergovernmental Revenue	2,437,928	2,495,827	2,320,253	2,044,568	2,437,425
Charges for Current Services	2,636,352	2,566,461	3,161,520	3,332,316	4,418,685
Other Revenue	828,309	548,025	291,019	197,698	246,949
Total Revenues	\$25,221,088	\$28,278,774	\$30,542,842	\$33,239,404	\$37,019,690
Expenditures					
Current:					
General Government	\$5,493,291	\$5,964,396	\$5,524,511	\$5,427,445	\$5,452,758
Public Safety	14,494,504	13,496,198	12,695,919	12,880,769	11,904,737
Public Works	2,079,696	1,803,961	3,257,466	3,731,009	4,428,515
Parks and Recreation	3,095,569	2,564,009	2,262,803	2,218,253	2,127,678
Capital Outlay	4,360	1,740	973	2,107,453	224,465
Debt Service:					
Principal	35,981	31,539	29,418	33,956	35,252
Interest and Fiscal Charges	13,249	756,867	210,642	3,240	1,718
Total Expenditures	\$25,216,650	\$24,618,710	\$23,981,732	\$26,402,125	\$24,175,123
Excess (Deficiency) of Revenues over Expenditures	\$4,438	\$3,660,064	\$6,561,110	\$6,837,279	\$12,844,567
Other Financing Sources (Uses)					
Proceeds from Sale of Property	\$2,313	\$24,974	\$1,104	\$3,065	\$1,926
Transfers In	2,986,789	1,795,319	664,259	766,675	361,989
Transfers Out	(4,667,815)	(4,719,489)	(5,895,475)	(6,999,455)	(8,431,001)
Total Other Financing Sources (Uses)	(\$1,678,713)	(\$2,899,196)	(\$5,230,112)	(\$6,229,715)	(\$8,067,086)
Net Change in Fund Balances	(\$1,674,275)	\$760,868	\$1,330,998	\$607,564	\$4,777,481
Special Item					
RDA Asset Transfer Review	\$0	\$0	\$0	\$425,000	\$0
Net Change in Fund Balances	(\$1,674,275)	\$760,868	\$1,330,998	\$1,032,564	\$4,777,481
Beginning Fund Balances	\$17,125,265	\$15,450,990	\$16,211,858	\$17,542,856	\$18,575,420
Ending Fund Balances	\$15,450,990	\$16,211,858	\$17,542,856	\$18,575,420	\$23,352,901

IV. 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
Property Tax ⁽¹⁾	\$5,845,191	\$6,055,494	\$6,267,156	\$6,563,991
Transient Occupancy Tax ⁽²⁾	4,739,027	5,895,327	6,814,461	7,929,345
Sales Tax Revenue	3,628,554	3,925,754	4,302,447	4,448,793
Measure Q	2,053,230	2,137,961	2,306,575	2,406,750
Vehicle License Fees	1,744,747	1,685,526	1,702,543	1,739,701
Franchise Fees	1,372,732	1,303,092	1,369,723	1,413,076
Business License Fees	1,139,616	1,332,060	1,329,533	1,312,780
Parks and Recreation ⁽³⁾	1,115,321	1,231,049	1,271,604	1,245,427
Public Safety ⁽³⁾	1,760,882	1,516,986	1,397,399	1,335,964
Public Services ⁽³⁾	966,900	1,492,449	1,372,618	2,620,117
Transfers In ⁽⁴⁾	1,692,198	399,029	799,797	137,219
All Other Revenue	3,926,112	5,317,949	5,722,378	6,043,750
Total Revenues	\$29,984,510	\$32,292,676	\$34,656,234	\$37,196,913

(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
2011/12	\$3,814,275,732	\$0	\$88,801,928	\$3,903,077,660	(2.62%)
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%

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
2010/11	\$40,520,967	\$2,237,589	5.52%
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%

(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, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue Bonds	\$15,115,000	\$16,170,000	\$7,530,000	\$7,735,000	\$22,645,000	\$23,905,000
Pension Bonds	11,905,000	0	0	0	11,905,000	0
COPs	5,525,000	5,645,000	0	0	5,525,000	5,645,000
Loans payable	1,253,560	1,482,505	100,253	106,418	1,353,813	1,588,923
Capital lease obligations	4,919,583	4,884,331	85,864	133,831	5,005,447	5,018,162
Totals	\$38,718,143	\$28,181,836	\$7,716,117	\$7,975,249	\$46,434,260	\$36,157,085

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, 2015.

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.

The following table sets forth the schedule of funding for the Miscellaneous Plan and does not include the impact of the pension obligation bonds. 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, 2015.

As of September 30, 2015, the City reported total net pension liability, deferred outflows of resources and deferred inflows of resources for both Miscellaneous and Safety Plans as follows:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous Plan	\$ 25,555,745	\$ 2,987,655	\$ 4,019,746
Safety Plan	24,987,173	3,670,715	5,217,808
Total	<u>\$ 50,542,918</u>	<u>\$ 6,658,370</u>	<u>\$ 9,237,554</u>

Miscellaneous Plan

For the measurement period ended June 30, 2015, the City recognized pension expense of \$1,114,106.

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

	<u>2015</u>
Total pension liability	
Service cost	\$ 1,289,914
Interest on Total Pension Liability	5,921,706
Changes of Assumptions	(1,373,535)
Difference between Expected and Actual Experience	(675,672)
Benefit payments, including refunds of employee contributions	(4,441,507)
Net change in total pension liability	<u>720,906</u>
Total pension liability -- beginning	<u>81,032,930</u>
Total pension liability -- ending (a)	<u>\$ 81,753,836</u>
Plan fiduciary net position	
Contributions - employer	\$ 1,964,036
Contributions - employee	538,590
Net investment income	1,263,648
Benefit Payments, Including Refunds of Employee Contributions	(4,441,507)
Administrative Expense	(63,276)
Net change in fiduciary net position	<u>(738,509)</u>
Plan fiduciary net position -- beginning	<u>56,936,600</u>
Plan fiduciary net position -- ending (b)	<u>\$ 56,198,091</u>
Net pension liability -- ending (a) - (b)	<u>\$ 25,555,745</u>
Plan fiduciary net position as a percentage of the total pension liability	68.74%
Covered-employee payroll	\$ 6,923,639
Net pension liability as a percentage of covered-employee payroll	369.11%

Notes to Schedule:

Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: 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 one year is shown.

Schedule of Contributions – Miscellaneous Plan - Last 10 years*

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

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

Safety Plan

For the year ended September 30, 2015, the City recognized pension expense of \$1,680,814.

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

	2015
City's proportion of the net pension liability	0.3640%
City's proportionate share of the net pension liability	\$ 24,987,173
City's covered - employee payroll	\$ 6,149,004
City's proportionate Share of the net pension liability as a percentage of covered-employee payroll	406.36%
Plan fiduciary net position as a percentage of the total pension liability	78.4%

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

Notes to Schedule:

Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

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

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

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

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

F. CITY EMPLOYEES

As of September 30, 2015, 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.

V. 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, 2015.

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, 2015.

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.