

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)**

**STAFF REPORT**

**INFRASTRUCTURE STATE REVOLVING FUND (ISRF) PROGRAM  
DIRECT FINANCING EXECUTIVE SUMMARY**

<b>Applicant:</b> City of Encinitas (City)	<b>ISRF Project Type / Category:</b> Infrastructure Project / City Streets	
<b>Amount Requested:</b> \$20,000,000 (Financing)	<b>Financing Term:</b> 15 years	<b>Interest Rate:</b> 3.00% + 0.3% annual servicing fee
<b>Source of Repayment:</b> General Fund (Fund)		<b>Fund Rating/Date:</b> S&P Rating June 29, 2021 Affirmed AA+ Rating on Lease Revenue Bonds Affirmed AAA Issuer Credit Rating on City
<b>Leasehold Interest:</b> Leasehold interests in City Hall Building		
<b>Project Name:</b> Leucadia Streetscape project – Segment C (Project)	<b>Project Location:</b> North Coast Highway 101	

**Project Description / Source and Use of Proceeds:**

The City of Encinitas’s Capital Improvement Plan includes the Leucadia Streetscape project to enhance the North Coast Highway 101 corridor. Leucadia is a beach community located entirely within the City of Encinitas and comprises its northern portion. Community input was utilized to create a concept plan for beautification, landscape, pedestrian, circulation, traffic management, and parking improvements for the project’s approximately 2.5-mile stretch of North Coast Highway 101 (from A Street to La Costa Avenue). The total project comprises segments A, B, and C. Segments A and B are being financed by the City from its reserves, with Segment C to be financed with the IBank loan (Project).

The Project includes improvements to sidewalks, curbs, gutters, enhanced crosswalks, raised medians, roundabouts, buffered bike lanes, increased parking options, drainage improvements and new stormwater infrastructure, and landscaping elements.

The Project will be located along North Coast Highway from Jupiter Street to Moorgate Road and includes, but is not limited to (1) Construction of roundabouts at Jupiter Street and Grandview Street, (2) Building of new wider sidewalks on the west side of North coast Highway 101, (3) Construction of new pavement for the southbound lanes, (4) Additional lighting; and (5) installation of landscaping and irrigation. Please see Exhibits 4A, 4B and 4C with reference to the Project. The expected Useful Life of the Project is 50+ years.

The following chart shows the Project sources and uses:

Project Uses	Project Sources for City of Encinitas		
	IBank	City of Encinitas	Total
Leucadia Streetscape project- Segment C (Project) and Contingency	\$20,000,000	\$220,000	\$20,220,000
Origination Fee		\$200,000	\$200,000
<b>Total</b>	<b>\$20,000,000</b>	<b>\$420,000</b>	<b>\$20,420,000</b>

**Use of Financing Proceeds:**

This is the first time the City of Encinitas has applied for an IBank Infrastructure loan. The Financing would provide funds necessary to complete the Project, including but not limited to design, engineering, architecture, construction, construction contingency, demolition, removal, resurfacing, restoration, landscaping, permitting, construction management, project administration, and general project development activities. IBank’s loan origination fee and a portion of the contingency will be paid by the City. Total contingencies are \$2.5M or 12.5% of total loan amount.

**Project / Public Benefits**

Highway 101 is a major highway and main street that runs through downtown Encinitas and is lined with shops and cafes. The Leucadia Streetscape project will improve safety, convenience, maintain existing physical access to the shoreline, and increase transit efficiency to the transportation system. It will create continuity throughout the corridor through revised safety and mobility enhancements, beautification with new landscaping, improved parking, and dedicated bike lanes throughout Streetscape Segments A, B & C, along North Coast Highway 101. The Project will make it easier and safer for community members to get to the beach and enjoy the shops and restaurants on North Coast Highway 101, whether in a car, on a bike or on foot. The project is expected to generate 217 construction jobs at an average wage of \$18/hr.

**Credit Considerations:**

Lease Payment and Fund Balance analysis for the Financing is summarized as follows:

<b>Lease Payment and Fund Balance Analysis</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$12,606,286	\$12,859,112	\$14,011,527	\$12,376,905	\$14,458,265
<b>Adjustments Specific to the Transactions</b>					
Transfers In	\$2,317,535	\$1,588,997	\$1,587,071	\$2,617,441	\$ 2,165,555
Transfers Out (Adjusted)	(\$3,148,064)	(\$3,475,682)	(\$3,974,403)	(\$3,907,491)	(\$3,720,073)
Total Adjustments	(\$830,529)	(\$1,886,685)	(\$2,387,332)	(\$1,290,050)	(\$1,554,518)
<b>Adjustments to Excess (Deficiency) of Revenues</b>					
Proposed ISRF Lease Payment *	\$1,719,202	\$1,719,202	\$1,719,202	\$1,719,202	\$1,719,202
Other MADS General Fund Obligations	\$3,830,046	\$3,830,046	\$3,830,046	\$3,830,046	\$3,830,046
<b>Revised Net Change in Funds Balance with ISRF Lease Payment</b>	<b>\$6,226,509</b>	<b>\$5,423,179</b>	<b>\$6,074,947</b>	<b>\$5,537,607</b>	<b>\$7,354,499</b>

\*calculated at \$20,000,000 at 3.00% interest rate plus 0.30% annual servicing fee for 15 years.

The City’s Fund has more than sufficient revenues to make the proposed lease payment in all five historical years reviewed. For further detail, see the Credit Analysis section of this report.

**Support for Staff Recommendations:**

1. The excess Fund Balance after ISRF lease payment demonstrates the City’s ability to service the proposed Financing
2. The City’s Actual Fund balance for FY 2021 was \$27.2M and is more than adequate for the Funds total Maximum Annual Debt Service (MADS) for 4+ years.
3. Total debt service and lease payment obligations, inclusive of the proposed Financing, of the Fund is 6.66% of total FY21 Fund revenue, well below the IBank Criteria limit of 15% for General Fund financings.
4. The useful life of the Project is 50 years, which exceeds the 15-year term of the Financing.

**Exceptions:**

1. The City seeks an IBank Board waiver of the Criteria requirement to complete construction within two years. The Project timeline is estimated at 36 months.
2. Contractor Criteria: The City requests waiver of the provision that requires contractors to be pre-qualified using the Model Questionnaire detailed in the Criteria. The City intends to use its internally required contractor pre-qualification questionnaire, which substantially meets the intent of the Model Questionnaire.

**IBank Staff:**

Richard Nesbitt and Lina Benedict

**Date of Staff Report:**

May 18, 2022

**Date of IBank Board Meeting**

May 25, 2022

**Resolution Number:**

22-07

**Staff Recommendation:**

Staff recommends approval of Resolution No. 22-07 authorizing ISRF Program Financing in an amount not to exceed \$20,000,000 to the City of Encinitas for the Leucadia Streetscape project – Segment C (Project)

## GENERAL CITY INFORMATION, ECONOMY, AND PROJECT DESCRIPTION

The City was incorporated in October of 1986 as a general law city and is governed by a five-member City Council elected to staggered four-year terms. The Mayor is elected every two years.

The City brings together the communities of New and Old Encinitas, Cardiff-by-the-Sea, Leucadia, and Olivenhain. Encinitas is in northern San Diego County approximately 25 miles north of downtown San Diego and is located along six miles of the Southern California coastline.

As of January 2021, the City has an estimated population of 63,000, and covers approximately 21 square miles. The City is a low-density community consisting predominately of single-family homes, with pristine beaches, rolling hills, a famous Botanic Garden, and a vibrant downtown business district attracting visitors from around the world.

The City has a high median household Income of \$120,488 per the 2010 census. 62% of the residents have a bachelor's degree or higher (compared to respective figures of \$78,672 and 35% for California as a whole). As noted above (and detailed further below), Standard & Poor's affirmed its AAA issuer credit rating for Encinitas in June 2021.

### **Project Description**

The Leucadia Streetscape project originated as a vision to preserve and revitalize the North Coast Hwy 101 Corridor in 2008 and improve access and mobility. In Fall of 2020, the first of a series of construction contracts was awarded to implement the vision that began over a decade ago. The Leucadia Streetscape includes the following improvements:

- Corridor Beautification Infrastructure and Landscaping
- Restoration of Leucadia's Iconic Tree canopy (101 new trees)
- New Bicycle and Pedestrian Friendly Infrastructure
- New and Expanded Sidewalks and Buffered Bike Lanes
- New HSIP Flashing Pedestrian Activated Crosswalks
- Increased Parking Capacity on Highway 101
- Implementation of a Lane Diet
- New Roundabouts for Improved Traffic Flow and U-Turn Opportunities
- New Underground Storm Drain & Bioretention Improvements to Address Historic Flooding Issues

The scope of work comprises Segment A, Segment B, and Segment C.

The total cost of the Leucadia Street project is over \$65M. Segments A and B are to be financed by the City's reserves, Transnet funding (1/2 % sales tax), and some grants that are in application process. Total Segment C cost is \$20,420,000 including the Origination fee. \$20,000,000 is to be financed by the subject ISRF Program financing. Segments A and B are separate from Segment C.

Construction in each phase is summarized below.

Segment A – construction of wider sidewalks on the west side of Highway 101, a roundabout at El Portal, buffered bike lanes, landscaping improvements, and additional parking between Marcheta Street and Basil Street. The project began in early 2020 and will be completed in June 2022.

Segment B and Segment C – A safety and mobility enhancement project will create dedicated bike lanes by restriping the existing lanes and reducing the highway to one vehicle lane in each direction.

This project includes some median improvements to accommodate the new highway cross section. Construction is anticipated to begin in summer 2022 and be completed in winter 2022/2023.

The Project (Segment C) includes, but is not limited to, improvements to sidewalks, curbs, gutters, enhanced crosswalks, raised medians, roundabouts, buffered bike lanes, increased parking options, drainage improvements and new stormwater infrastructure, and landscaping elements. The Project will be located along North Coast Highway from Jupiter Street to Moorgate Road and will include (1) Construction of roundabouts at Jupiter Street and Grandview Street, (2) Building of new wider sidewalks on the west side of North coast Highway 101, (3) Construction of new pavement for the southbound lanes, (4) Additional lighting, installation of landscaping and irrigation. Please see Exhibits 4A, 4B and 4C with reference to the Project. The expected Useful Life of the Project is 50+ years.

Segment A North was started at the beginning of FY 2021 and will be completed by end of June 2022. Segment B is to start in summer 2022, and Segment C is to start construction after the fall of 2022. The city is requesting 36 months to complete the portion of the Project financed by IBank, which exceeds the ISRF criteria guideline of 24 months. Staff is requesting an exception to this guideline.

**Analysis of the Proposed Leased Asset**

The repayment source for this financing is the General Fund. The financing structure is a lease-lease back, and the leased asset will be the City Hall which is an unencumbered asset owned by the City.

Name of Asset	Year Built	Building Size in Square Feet (SF)	Construction	Estimate of Value
City Hall	1992	47,709	Concrete Tilt-Up	\$22,700,000
<b>Total Value</b>				<b>\$22,700,000</b>
<b>Loan Amount</b>				<b>\$20,000,000</b>
<b>Value-to-loan</b>				<b>113.50%</b>

The City has offered the City Hall as the proposed leased asset for this financing. The City Hall is located at 505 S. Vulcan Avenue, Encinitas, CA 92024. The building is a 47,709 sq. ft. single-story government administration building with quality office improvements and council chambers. A restricted appraisal was completed on April 22, 2022, with a value of \$22,700,000. This comprises a depreciated value of building and site improvements of \$12,456,594 and a site value of \$10,210,000.

Staff received and reviewed a preliminary title report (“Prelim”) for the Leased Asset. The Prelim reflects a fee simple title held by the District. The prelim reflects standard encumbrances for property taxes, supplemental taxes, water rights, and easements for utility purposes. All exceptions noted in the appraisal are customary, reasonable, and acceptable to IBank. A Pro Forma Title Policy insuring IBank’s leasehold interest would be required no later than three weeks prior to closing.

To determine Fair Rental Value, IBank analyzed and found other commercial spaces in the same zip code as the City Hall. An average of three rental listings was taken (two retail and one office). Total yearly average price per sq. ft. was \$39. Multiplying this figure by the total square footage of the City Hall of 47,709 creates an estimated fair rental value of \$1,861,651 per year. Our proposed lease payment would be \$1,719,202, slightly lower than the fair rental value, meaning the proposed asset would be eligible as a source of security for IBank’s financing. Additionally, the Value-to-Loan is at least 100% of the financing amount.

**CREDIT ANALYSIS**

**Source of Financing Repayment**

<b>Source of Revenue to Repay Proposed ISRF Program Financing:</b>	General Fund
<b>Outstanding General Fund Bond and Lease Obligations:</b>	See the Existing Obligations Payable from the Fund section of this report.
<b>Type of Audited Financial Documents Reviewed:</b>	<input checked="" type="checkbox"/> Annual Comprehensive Financial Reports (ACFR) <input type="checkbox"/> Basic Financial Statements (F/S) <input type="checkbox"/> Other: _____
<b>Fiscal Year Ends:</b>	June 30
<b>Audit Fiscal Years Reviewed:</b>	2017-2021
<b>The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the City, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles.</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No. [If no, explain]
<b>Adopted Budget(s) Reviewed:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No. [If no, explain]
<b>Budget Year(s) Reviewed:</b>	2020-2024

## City of Encinitas Debt

General Fund Obligations for City of Encinitas Proposed Debt							
Debt Issues	Bonds	Underlying Rating (at issuance)	Date Issued	Amount Issued	Outstanding Balance	MADS Principal & Interest	Maturity
2008 Civic Center Roof Replacement and Energy Optimization Project	No		2018	\$2,100,000	\$350,785	\$183,556	2023
2017 Fire Apparatus	No		2017	\$629,851	\$283,397	\$98,641	2024
2013 Lease Revenue Bonds, Series A (Park Construction Project)	Yes	AA+	2013	\$7,865,000	\$5,200,000	\$513,206	2032
2014 Lease Revenue Bonds, Series A (Moonlight Beach Lifeguard Tower)	Yes	AA+	2014	\$3,095,000	\$2,690,000	\$167,831	2044
2021 Lease Revenue Refunding Bonds, Series B (Pacific View Property)	Yes	AA+	2021	\$9,505,000	\$9,505,000	\$566,522	2044
2015 Lease Revenue Refunding Bonds, Series A (2006 Library Bonds)	Yes	AA+	2015	\$15,645,000	\$12,995,000	\$1,056,581	2036
2017 Lease Revenue Refunding Bonds, Series A (2010 Park Bonds)	Yes	AA+	2017	\$11,955,000	\$9,335,000	\$1,142,000	2031
2004 E HA Housing Note Payable	No		2004	\$1,905,338	\$1,008,914	\$99,880	2032
2020 Fire Apparatus Lease	No		2020	\$737,623	\$689,003	\$14,414	2028
<b>Total</b>				<b>\$53,437,812</b>	<b>\$42,057,099</b>	<b>\$3,842,631</b>	

The chart above shows all the City debt as of June 30, 2021. Existing Debt includes total obligations outstanding of \$42,057,099 with Debt Service payments of \$3,830,046.

### **S&P CREDIT RATING**

On June 29, 2021, S&P Global Ratings assigned an 'AA+' long-term rating to the Encinitas Public Financing Authority's \$9.5 million 2021 federally taxable lease revenue refunding bonds, 2017 Lease Revenue Refunding Bond Series A, issued on behalf of Encinitas. At the same time, S&P Global Ratings affirmed its 'AA+' long-term rating on the City's existing lease revenue bonds, as well as its 'AAA' issuer credit rating (ICR) on the city. The outlook on all ratings is stable.

According to S&P the ratings reflect the City's very strong economy, with wealth and income levels that are well above average. Additionally, the City management is also above average, with strong policies and practices in place to which the city has historically adhered. Financially, the city fared very well during the pandemic, with limited impacts to its largest revenue streams, property taxes (62% of total revenues) and sales taxes (17% of total revenues). Property taxes in the City have continued to rise and are not projected to decrease over the near term, given the city's attractive beachfront location and continued demand for housing. The City displays strong budgetary performance, with an operating surplus in the General Fund in fiscal 2020.

### **Financial Statement Highlights**

**Note:** Unlike the government-wide financial statements, the governmental funds (which includes the General Fund which is reviewed in this section) balance sheet does not include capital assets. The General Fund financial statement focusses on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of each fiscal year. The Capital Improvements Capital Projects Fund and the Infrastructure Improvements Special Revenue Fund show the capital assets of the City.

The accounting method is a modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

A summary of the Fund's Comparative Balance Sheet for the last five fiscal years are included as Exhibit 1.

The City has maintained a strong financial position over the five years reviewed. The City's Total Liabilities as a percentage of its Total Assets have remained under 30%. Although, there have been fluctuations from year to year, The City's asset base remains strong.

<b>Ratio Analysis</b>					
<b>(\$000)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Median Family Income (as % of US Median)	218%	225%	228%	229%	ND
Cash Balance	\$27,034	\$33,688	\$27,281	\$31,466	\$29,933
Operating Revenue	\$69,422	\$73,848	\$79,187	\$79,840	\$83,328
Cash Balance as % of Operating Revenue	38.9%	45.6%	34.5%	39.4%	35.9%
Current Ratio	4.2	3.4	3.3	3.4	3.8
Leverage Ratio	0.3	0.4	0.4	0.4	0.4
Operating Margin	18.3%	17.4%	17.7%	15.5%	17.4%

### **Statement of Net Position / Balance Sheet**

The City has strong Cash and Investments reserves an average of nearly \$30M in the five historical years reviewed. Cash balance as a percentage of Operating Revenues was at least 34% in all years reviewed and reflects that the City has sufficient cash available to offset shortfalls or use for contingencies that might arise.

The Current Ratio (current assets divided by current liabilities) reflects the City's strong liquidity, remaining at 3.3 times or better in all years reviewed.

The leverage ratio (total liabilities divided by total fund balances) remains strong and consistent in all years reviewed. In FY21 total Liabilities declined \$1.3M from prior year. City currently has \$42M in outstanding debt, and debt service and lease payments as a percentage of Total Revenue is 6.66%.

Total Assets over the five-year period fluctuated moderately, averaging about \$36.8M, reflecting small fluctuations in Cash and Receivables. The pandemic appears to have had no major impact on the General Fund's asset base. Due from Other Funds received approx. \$1M from the CARES funding Act, that provided financial support to small businesses, rental assistance, paid costs related to increased communications and COVID related supplies and equipment costs in FY 2020.

In FY 2021, Accounts Payable decreased by 28.2% from \$7.2M to \$5.2M. The decrease was due to the timing of the invoices that vendors were slow to issue during the pandemic.

Per the budget, the Fund balance was projected to be \$22.5 million as of June 30, 2021, a decrease of \$4.7 million. Actual fund balance was strong at \$27.4M. The Committed Fund Balance has increased over \$3M from FY 2017 to FY 2021, with strong contingency budget stabilization reserves. The Unassigned Fund Balances have been approx. \$10M in each of the historical years. These funds can be used on any capital improvement project and are discretionary.

### **Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance Analysis**

The Fund's Comparative Statement of Revenues, Expenses, and Changes in Fund Balance for the last five years are included as Exhibit 2.

The City's Operating Margin (Excess (Deficiency) of Net Revenues as a percent of Total Revenues) has been consistently strong, averaging over 17% to 18% for the period reviewed. The relatively large margins have provided the City discretionary funds to transfer to capital projects. The pandemic has so far not had a significant impact the City's General Fund revenues.

In FY 2021, total General Fund revenues were \$83.3M, an increase of approximately \$3.5M or 4.3 percent from FY 2020. This was primarily due to:

- Increased Taxes and Assessments revenue due to higher property value assessments, higher than anticipated transfers of ownership and a lower-than-expected delinquency rate.



- Less severe economic impact than expected on sales tax revenues resulting from the COVID-19 pandemic. A shift to online shopping during the pandemic and a recent legislative change that allowed for the taxation of additional internet purchases resulted in strong growth in the countywide use tax pool.
- Retailers in the consumer goods category reporting strong sales, spurred by federal stimulus and pent-up consumer demand as most pandemic restrictions were lifted.
- Receipts from auto and transportation related sales exceeding expectations due to low financing rates, consumer savings from curtailed spending opportunities during the pandemic, federal stimulus and increased home equity that facilitated greater borrowing.
- Higher than anticipated transient occupancy tax revenue receipts from short-term vacation rentals.

General Government expenditures from FY 2018 – FY 2021 increased from \$61M to \$69M due to:

- Increases in administrative salaries, which are included in their budget.
- The City's attorney left in FY 2020 and the City switched to a more expensive outside firm. However, the City has replaced the law firm with a less expensive alternative to handle their legal activities.
- Increases in contributions to Other Post-Employment Benefits and unfunded pension liabilities.

In spite of the increased expenses, General Fund Expenditures were approximately \$3.1 million under Budget for FY 2021 primarily resulting from: 1) Law enforcement services and parking citation processing was \$445,000 lower than anticipated due to a decrease in activity during the pandemic, 2) Savings of \$287,000 in park, beach, and trail maintenance contracts as there was limited usage by the public during the pandemic, as well as mild weather with fewer severe weather events during the year, and 3) Savings in personnel costs primarily due to unfilled vacancies across City departments. All General Fund functional areas experienced savings in FY 2021.

Operating Margin over the 5 years reviewed also shows that the City operates efficiently and maintains margins above 15% consistently, averaging 17.26% over the same period.

While the City's ordinary revenues consistently exceed ordinary expenses by a healthy margin, a series of Transfers in and Out occur 'below the line' which, when added to the operating result, produce the Net Change in Fund Balance. Transfers In averaged a little over \$2M per year before a jump in FY21 to \$7.4M, thanks to a \$5.2M transfer to fund the Leucadia Streetscape project. Among the most consistent ongoing transfer sources is the Gas Tax Fund, which has averaged over \$1.1M in recent years. Capital Improvements transfers averaged over \$550K per year before FY21. The City also received \$209,521 in FY20 for CARES Act funding.

Transfers Out averaged over \$17.5M per year. This mostly consists of outlays for Capital Improvements, averaging over \$10.5M per year, drawn from Unassigned Fund Balances available on the City's balance sheet. The next largest item is debt service, averaging about \$3.8M per year, followed by contributions to a self-insurance program at \$1.7M in FY20, and transfers to a facilities maintenance fund at over \$1M per year.

Largely driven by the Transfers Out for capital improvements and debt service, net transfers average about \$14.4M per year, diminishing the impact of the healthy operating results to the point that in some years Fund Balances actually declined. However, ending Fund Balances have consistently remained at around \$26M throughout the period, and considering the flexibility of the capital improvement transfers, this appears to indicate a high level of financial management expertise on the part of the City.

The City demonstrates strong budget control and financial management:

<b>Revenues Budget</b>				
<b>Year</b>	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Difference between Final and Actual</b>
<b>2017</b>	\$65,032,302	\$66,697,933	\$69,421,860	(\$2,723,927)
<b>2018</b>	\$67,893,632	\$68,565,612	\$73,848,258	(\$5,282,646)
<b>2019</b>	\$70,852,313	\$71,639,810	\$79,187,409	(\$7,547,599)
<b>2020</b>	\$74,406,092	\$75,889,943	\$79,840,356	(\$3,950,413)
<b>2021</b>	\$77,295,468	\$75,152,966	\$83,327,537	(\$8,174,571)

The City has consistently exceeded Actual Revenues vs. budgeted.

<b>Expenses Budget</b>				
<b>Year</b>	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Difference between Final and Actual</b>
<b>2017</b>	\$56,615,816	\$57,331,216	\$56,815,574	\$515,642
<b>2018</b>	\$59,112,446	\$60,243,601	\$60,989,146	(\$745,545)
<b>2019</b>	\$62,601,763	\$64,676,412	\$65,175,882	(\$499,470)
<b>2020</b>	\$66,018,346	\$68,984,429	\$67,463,451	\$1,520,978
<b>2021</b>	\$69,999,902	\$71,916,339	\$68,869,272	\$3,047,067

The budget has a stabilization reserve which is fully funded at 2% of revenue or \$1.7M. The City also has contingency reserves which is fully funded at 20% of operating expenditures or \$15.3M. The City has not had any need to draw on these reserves.

### Lease Payment and Fund Balance Analysis

The table below shows the Lease Payment Analysis for the five most recent fiscal years:

<b>Lease Payment and Fund Balance Analysis</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$12,606,286	\$12,859,112	\$14,011,527	\$12,376,905	\$14,458,265
<b>Adjustments Specific to the Transactions</b>					
Transfers In	\$2,317,535	\$1,588,997	\$1,587,071	\$2,617,441	\$ 2,165,555
Transfers Out (Adjusted)	(\$3,148,064)	(\$3,475,682)	(\$3,974,403)	(\$3,907,491)	(\$3,720,073)
Total Adjustments	(\$830,529)	(\$1,886,685)	(\$2,387,332)	(\$1,290,050)	(\$1,554,518)
<b>Adjustments to Excess (Deficiency) of Revenues</b>	<b>\$11,775,757</b>	<b>\$10,972,427</b>	<b>\$11,624,195</b>	<b>\$11,086,855</b>	<b>\$12,903,747</b>
Proposed ISRF Lease Payment *	\$1,719,202	\$1,719,202	\$1,719,202	\$1,719,202	\$1,719,202
Other MADS General Fund Obligations	\$3,830,046	\$3,830,046	\$3,830,046	\$3,830,046	\$3,830,046
<b>Revised Net Change in Funds Balance with ISRF Lease Payment</b>	<b>\$6,226,509</b>	<b>\$5,423,179</b>	<b>\$6,074,947</b>	<b>\$5,537,607</b>	<b>\$7,354,499</b>

\* Calculated at \$20,000,000 at 3.00% interest rate plus 0.30% annual servicing fee for 15 years.

Transfers out in the table above were adjusted to exclude debt service (that we are already accounting for Other MADS General Fund Obligations), and CIP transfers out to fund projects. According to the City's Finance Director such transfers are discretionary. In FY 2021 there was a transfer-in specifically for the Leucadia Street project of \$5,217,743 that was excluded in the Transfers-In in the table above.

The City has adequate cash flow to repay the proposed lease payment and meet the maximum payments (MADS) on their current debt obligations, in addition to the proposed ISRF financing, in all the years reviewed.

**PROJECTIONS AND PROJECTED LEASE PAYMENT**

The City provided Projections for FY 2022 through FY 2025. Please see Exhibit 3 in addition to the summary below.

The City’s projections are based on the following assumptions:

General Fund expenditure line items are classified into the following three major categories, with annual growth assumptions noted:

1. Personnel expenses- projected to increase 3% each year
2. Contract with the County Sheriff’s Department projected to increase 5% each year.
3. Other Contracts and Services (not including Law Enforcement) projected to increase 2.5% each year

Total General Fund expenditures are projected to increase an average of 5.2% in FY 2022 through FY 2025. This is fairly consistent when compared to recent historical financials from FY 2017 through 2021 that show a slightly lower actual average expenditures of 4.9%.

Total General Fund revenues are projected to increase an average of 4.04% in FY 2022 through FY 2025. This is a conservative projection as recent historical financials from FY 2017 through 2021 show a slightly higher average actual growth of 4.50% for FY 2022-2023.

<b>Lease Payment Projected Years</b>					
	<b>2021 Actual</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$14,458,265	\$8,559,438	\$10,909,837	\$11,238,378	\$13,368,363
<b>Adjustments Specific to the Transactions</b>					
Transfers In	\$2,165,555	\$2,925,117	\$2,371,181	\$2,428,463	\$2,487,243
Transfers Out (Adjusted)	(\$3,720,073)	(\$4,483,025)	(\$4,505,301)	(\$4,466,755)	(\$4,498,947)
Total Adjustments	(\$1,554,518)	(\$1,557,908)	(\$2,134,120)	(\$2,038,292)	(\$2,011,704)
<b>Adjustments to Excess (Deficiency) of Revenues</b>	<b>\$12,903,747</b>	<b>\$7,001,530</b>	<b>\$8,775,717</b>	<b>\$9,200,086</b>	<b>\$11,356,659</b>
Proposed ISRF Lease Payment *	\$1,719,202	\$1,719,202	\$1,719,202	\$1,719,202	\$1,719,202
Other MADS General Fund Obligations	\$3,830,046	\$3,830,046	\$3,830,046	\$3,830,046	\$3,830,046
<b>Revised Net Change in Funds Balance with ISRF Lease Payment</b>	<b>\$7,354,499</b>	<b>\$1,452,282</b>	<b>\$3,226,469</b>	<b>\$3,650,838</b>	<b>\$5,807,411</b>

\* Calculated at \$20,000,000 at 3.00% interest rate plus 0.30% annual servicing fee for 15 years.

The projected lease payment analysis above reflects similar adjustments made in the historical Lease Payment Analysis and shows that the City has the capacity to cover the proposed lease payments and the existing debt obligations in the projected years.

**Risk Factors**

1. The security is a leasehold interest on Leased Asset and not a lien on the Fund or any other governmental fund.
2. Under State law governing the proposed ISRF Program financing, lease payments to 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.
3. Under State law governing the proposed financing, acceleration in the event of default by the Borrower is prohibited. In the event of payment default, IBank must annually pursue a remedy of compelling past due lease payments or institute an unlawful detainer action to obtain possession of the Leased Asset for purposes of re-letting.
4. The City is not prohibited from incurring additional obligations payable from the Fund.

**Mitigating Factors**

1. The Borrower will covenant to annually budget and appropriate lease payments.
2. The Borrower will covenant to procure rental interruption insurance for the Leased Asset in the event of loss of use (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.

3. The Borrower will obtain title insurance in favor of IBank and will covenant against permitting additional encumbrances against the Leased Asset.
4. The City will be prohibited from issuing future debt senior to the IBank financing, and new parity debt would only be permitted if Net Operating Income after all debt service and lease payments are positive.
5. Lease payments from the Fund draw upon a broad source of funds which provide the Borrower with greater flexibility to meet the required Lease obligations.
6. The City's conservative budgeting, strong reserves, and re-evaluation of its CIP program has resulted in it being well positioned to weather economic fluctuations.
7. S&P Global Ratings maintains a 'AAA' issuer credit rating and an 'AA+' long-term rating on lease revenue bonds for the City.
8. The term requested is a 15-year term loan. The City management team and City council members are fiscally conservative and want to keep debt maturities and interest expense at prudent minimums.

### **Compliance with IBank Criteria, Priorities, and Guidelines**

The application and the proposed financing are in accordance with IBank Criteria, Priorities and Guidelines (ISRF Criteria).

- The total Fund obligation (inclusive of the Financing) is less than 15% of the City's Total Revenues for FY 2021
- The Leased Asset is the City Hall Building and is acceptable to IBank
- The Fund adequately covers existing expenditures, financing obligations, and the proposed IBank Lease payments
- The useful life of the Project is over 30 years and exceeds the term of this Financing

### **Exceptions:**

1. The City seeks an IBank Board waiver of the Criteria requirement to complete construction within two years. The Project timeline is estimated at 36 months.
2. Contractor Criteria: The City requests waiver of the provision that requires contractors to be pre-qualified using the Model Questionnaire detailed in the Criteria. The City intends to use its internally required contractor pre-qualification questionnaire, which substantially meets the intent of the Model Questionnaire.

## STAFF RECOMMENDATION

Staff recommends approval of Resolution No. 22-07 authorizing ISRF Program financing to the City of Encinitas for the Leucadia Streetscape Project -Segment C as follows:

1. Applicant/Borrower: City of Encinitas
2. Project: Leucadia Streetscape Project
3. Amount of ISRF Program financing: \$20,000,000
4. Maturity: Not to exceed 15 years
5. Repayment/Leased Asset: General Fund Lease provides IBank with a leasehold interest on City Hall Building (Leased Asset).
6. Interest Rate: 3.00%
7. Fees: The City to pay the origination fee of 1.00%, \$200,000 upon loan closing, and an annual fee of 0.30% of the outstanding balance.
8. Not an Unconditional Commitment: 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 an ISRF Program financing agreement (or agreements), in form and substance satisfactory to IBank.
9. Limited Time: The Board's approval expires 180 days from the date of its adoption. Thus, the City and IBank must enter into the ISRF Program financing agreement(s) no later than 180 days from such date. Once the approval has expired, there can be no assurances that IBank will be able to provide the ISRF Program financing or consider extending the approval period.
10. ISRF Program Financing Agreement Covenants: Aside from usual and customary terms and conditions for this type of ISRF Program financing, Staff recommends IBank's ISRF Program financing agreement(s) includes without limitation, the following additional conditions, and covenants:
  - a. Comply with all applicable requirements of ISRF Program Criteria.
  - b. Budget and appropriate funds sufficient to make annual Lease payments.
  - c. Procure an ALTA title insurance policy.
  - d. Not encumber further the Leased Asset.
  - e. Provide to IBank within 180 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.

## EXHIBITS

### EXHIBIT 1

Summary of the Fund's Comparative Balance Sheet for the last five fiscal years:

CITY OF ENCINITAS										
GENERAL FUND										
FYE June 30	2017		2018		2019		2020		2021	
Source:	ACFR	% <sup>(1)</sup>	ACFR	% <sup>(1)</sup>	ACFR	% <sup>(1)</sup>	ACFR	% <sup>(1)</sup>	ACFR	% <sup>(1)</sup>
<b>Assets</b>										
Cash and Investments	\$27,033,981	80.1%	\$33,687,791	86.9%	\$27,280,962	77.8%	\$31,466,287	82.0%	\$29,933,035	80.8%
Receivables	\$4,305,095	12.8%	\$4,174,221	10.8%	\$4,737,316	13.5%	\$4,929,517	12.9%	\$5,657,063	15.3%
Interest Receivable							\$246,671		\$158,944	
Due from other funds	\$223,443	0.7%	\$618,216	1.6%	\$2,761,121	7.9%	\$1,419,861	3.7%	\$549,419	1.5%
Inventory and Prepaid items	\$302,034	0.9%	\$238,507	0.6%	\$238,428	0.7%	\$254,793	0.7%	\$717,128	1.9%
Long-term receivables	\$425,060	1.3%	\$28,696	0.1%	\$28,400	0.1%	\$33,039	0.1%	\$19,987	0.1%
Restricted Cash and Investments	\$1,472,372	4.4%	\$251	0.0%	\$383	0.0%	\$71	0.0%	\$3	0.0%
<b>Total Assets</b>	<b>\$33,761,985</b>	<b>100.0%</b>	<b>\$38,747,682</b>	<b>100.0%</b>	<b>\$35,046,610</b>	<b>100.0%</b>	<b>\$38,350,239</b>	<b>100.0%</b>	<b>\$37,035,579</b>	<b>100.0%</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$33,761,985</b>	<b>100.0%</b>	<b>\$38,747,682</b>	<b>100.0%</b>	<b>\$35,046,610</b>	<b>100.0%</b>	<b>\$38,350,239</b>	<b>100.0%</b>	<b>\$37,035,579</b>	<b>100.0%</b>
<b>Liabilities</b>										
Accounts payable and accrued liabilities	\$4,226,315	12.5%	\$6,021,430	15.5%	\$5,348,917	15.3%	\$7,201,884	18.8%	\$5,172,810	14.0%
Unearned Revenues	\$636,577	1.9%	\$691,733	1.8%	\$736,064	2.1%	\$572,573	1.5%	\$732,447	2.0%
Deposits and other liabilities	\$3,247,501	9.6%	\$4,741,061	12.2%	\$4,539,298	13.0%	\$3,369,774	8.8%	\$3,967,037	10.7%
<b>Total Liabilities</b>	<b>\$8,110,393</b>	<b>24.0%</b>	<b>\$11,454,224</b>	<b>29.6%</b>	<b>\$10,624,279</b>	<b>30.3%</b>	<b>\$11,144,231</b>	<b>29.1%</b>	<b>\$9,872,294</b>	<b>26.7%</b>
<b>Deferred Inflows of Resources</b>										
<b>Total Deferred Inflows of Resources</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$8,110,393</b>	<b>24.0%</b>	<b>\$11,454,224</b>	<b>29.6%</b>	<b>\$10,624,279</b>	<b>30.3%</b>	<b>\$11,144,231</b>	<b>29.1%</b>	<b>\$9,872,294</b>	<b>26.7%</b>
<b>Net Position</b>										
Reserved for:										
<b>Fund Balances:</b>										
Nonspendable	\$727,094	2.2%	\$267,203	0.7%	\$266,828	0.8%	\$287,832	0.8%	\$737,115	2.0%
Restricted	\$1,472,372	4.4%	\$251	0.0%	\$383	0.0%	\$167,265	0.4%	\$172,708	0.5%
Committed	\$13,937,399	41.3%	\$14,691,792	37.9%	\$15,545,889	44.4%	\$16,208,039	42.3%	\$16,998,291	45.9%
Unassigned	\$9,514,727	28.2%	\$12,334,212	31.8%	\$8,609,231	24.6%	\$10,542,872	27.5%	\$9,255,171	25.0%
<b>Total Fund Balances</b>	<b>\$25,651,592</b>	<b>76.0%</b>	<b>\$27,293,458</b>	<b>70.4%</b>	<b>\$24,422,331</b>	<b>69.7%</b>	<b>\$27,206,008</b>	<b>70.9%</b>	<b>\$27,163,285</b>	<b>73.3%</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$33,761,985</b>	<b>100.0%</b>	<b>\$38,747,682</b>	<b>100.0%</b>	<b>\$35,046,610</b>	<b>100.0%</b>	<b>\$38,350,239</b>	<b>100.0%</b>	<b>\$37,035,579</b>	<b>100.0%</b>
<b>Total Liabilities to Total Assets</b>	<b>0.24</b>		<b>0.30</b>		<b>0.30</b>		<b>0.29</b>		<b>0.27</b>	
<b>Total Fund Balance/Total Liabilities</b>	<b>3.16</b>		<b>2.38</b>		<b>2.30</b>		<b>2.44</b>		<b>2.75</b>	

<sup>(1)</sup> Calculated as a percent of Total Assets.

**EXHIBIT 2**

The Fund's Comparative Statement of Revenues, Expenses, and Changes in Fund Balance for the last five years:

GENERAL FUNDS										
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE										
FYE June 30	2017	% <sup>(1)</sup>	2018	% <sup>(1)</sup>	2019	% <sup>(1)</sup>	2020	% <sup>(1)</sup>	2021	% <sup>(1)</sup>
Source:	ACFR		ACFR		ACFR		ACFR		ACFR	
% Change Year-over-Year in Total Revenues		N/A		5.99%		6.74%		0.62%		4.18%
<b>Revenues</b>										
Taxes and Assessments	\$59,039,035	85.0%	\$62,827,496	85.1%	\$66,263,561	83.7%	\$67,987,818	85.2%	\$73,643,022	88.4%
Licenses and Permits	\$250,749	0.4%	\$239,799	0.3%	\$286,224	0.4%	\$263,518	0.3%	\$261,950	0.3%
Intergovernmental	\$655,906	0.9%	\$795,578	1.1%	\$663,028	0.8%	\$780,807	1.0%	\$740,163	0.9%
Development Impact Fees										
Charges for Services	\$6,688,958	9.6%	\$7,280,374	9.9%	\$7,383,043	9.3%	\$6,629,818	8.3%	\$5,862,696	7.0%
Fines, forfeitures and penalties	\$850,153	1.2%	\$704,216	1.0%	\$794,237	1.0%	\$655,032	0.8%	\$232,873	0.3%
Use of Money and Property	\$1,047,909	1.5%	\$807,881	1.1%	\$2,582,812	3.3%	\$2,810,704	3.5%	\$301,159	0.4%
Other	\$889,150	1.3%	\$1,192,914	1.6%	\$1,214,504	1.5%	\$712,659	0.9%	\$2,285,674	2.7%
<b>Total Revenues</b>	<b>\$69,421,860</b>	<b>100.0%</b>	<b>\$73,848,258</b>	<b>100.0%</b>	<b>\$79,187,409</b>	<b>100.0%</b>	<b>\$79,840,356</b>	<b>100.0%</b>	<b>\$83,327,537</b>	<b>100.0%</b>
<b>Expenditures</b>										
<b>Current:</b>										
General Government	\$9,873,643	14.2%	\$11,267,904	15.3%	\$11,863,735	15.0%	\$12,634,244	15.8%	\$12,929,877	15.5%
Public Safety	\$27,499,669	39.6%	\$29,284,523	39.7%	\$31,279,823	39.5%	\$32,656,252	40.9%	\$34,283,456	41.1%
Public Works	\$4,256,600	6.1%	\$4,516,723	6.1%	\$5,338,578	6.7%	\$6,263,122	7.8%	\$6,246,296	7.5%
Planning Services	\$4,662,871	6.7%	\$5,839,578	7.9%	\$6,268,884	7.9%	\$6,410,961	8.0%	\$6,265,249	7.5%
Engineering Services	\$4,147,138	6.0%	\$3,069,458	4.2%	\$3,305,943	4.2%	\$2,784,486	3.5%	\$3,037,830	3.6%
Parks and Recreation	\$6,375,653	9.2%	\$6,773,696	9.2%	\$6,985,782	8.8%	\$6,713,036	8.4%	\$5,862,135	7.0%
Capital Outlay			\$237,264	0.3%	\$133,137	0.2%	\$1,350	0.0%	\$244,429	0.3%
<b>Total Expenditures</b>	<b>\$56,815,574</b>	<b>81.8%</b>	<b>\$60,989,146</b>	<b>82.8%</b>	<b>\$65,175,882</b>	<b>82.3%</b>	<b>\$67,463,451</b>	<b>84.5%</b>	<b>\$68,869,272</b>	<b>82.6%</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$12,606,286</b>	<b>18.2%</b>	<b>\$12,859,112</b>	<b>17.4%</b>	<b>\$14,011,527</b>	<b>17.7%</b>	<b>\$12,376,905</b>	<b>15.5%</b>	<b>\$14,458,265</b>	<b>17.4%</b>
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$2,317,535		\$1,588,997		\$1,587,071		\$2,617,441		\$7,383,298	
Transfers Out	(\$22,156,773)		(\$12,806,243)		(\$18,469,725)		(\$12,210,669)		(\$21,884,286)	
<b>Total Other Financing Sources (Uses)</b>	<b>(\$19,839,238)</b>		<b>(\$11,217,246)</b>		<b>(\$16,882,654)</b>		<b>(\$9,593,228)</b>		<b>(\$14,500,988)</b>	
<b>Net Change in Fund Balance Before Extraord</b>	<b>(\$7,232,952)</b>		<b>\$1,641,866</b>		<b>(\$2,871,127)</b>		<b>\$2,783,677</b>		<b>(\$42,723)</b>	
<b>Extraordinary Items</b>										
Total Extraordinary Items	\$0		\$0		\$0		\$0		\$0	
<b>Net Change in Fund Balance</b>	<b>(\$7,232,952)</b>		<b>\$1,641,866</b>		<b>(\$2,871,127)</b>		<b>\$2,783,677</b>		<b>(\$42,723)</b>	
Fund Balance, Beginning of Year	\$32,884,544		\$25,651,592		\$27,293,458		\$24,422,331		\$27,206,008	
Fund Balance, End of Year	\$25,651,592		\$27,293,458		\$24,422,331		\$27,206,008		\$27,163,285	

**Exhibit 3**

The City provided Projections for FY 2022 through FY 2025:

GENERAL FUND										
PROJECTIONS										
For Fiscal Year Ending (FYE) June 30	2021 Actual		2022 Projected		2023 Projected		2024 Projected		2025 Projected	
Source:	ACFR	%	Budget	%	Projections	%	Projections	%	Projections	%
% Change		N/A		2%		5%		3%		5%
<b>Total Revenues</b>										
Taxes and Assessments	\$73,643,022	88.4%	\$74,832,603	88.0%	\$78,598,880	87.7%	\$81,650,384	88.0%	\$86,362,722	88.5%
Licenses and Permits	\$261,950	0.3%	\$236,000	0.3%	\$236,000	0.3%	\$239,540	0.3%	\$243,133	0.2%
Intergovernmental	\$740,163	0.9%	\$703,346	0.8%	\$713,726	0.8%	\$713,726	0.8%	\$713,726	0.7%
Development Impact Fees										
Charges for Services	\$5,862,696	7.0%	\$7,198,118	8.5%	\$7,870,400	8.8%	\$7,982,847	8.6%	\$8,097,382	8.3%
Fines, forfeitures and penalties	\$232,873	0.3%	\$435,253	0.5%	\$435,253	0.5%	\$441,564	0.5%	\$447,967	0.5%
Use of Money and Property	\$301,159	0.4%	\$984,154	1.2%	\$1,066,445	1.2%	\$1,077,109	1.2%	\$1,087,881	1.1%
Other	\$2,285,674	2.7%	\$656,793	0.8%	\$661,793	0.7%	\$668,411	0.7%	\$675,095	0.7%
<b>Total Revenues</b>	<b>\$83,327,537</b>	<b>100.0%</b>	<b>\$85,046,267</b>	<b>100.0%</b>	<b>\$89,582,497</b>	<b>100.0%</b>	<b>\$92,773,581</b>	<b>100.0%</b>	<b>\$97,627,906</b>	<b>100.0%</b>
<b>Expenses</b>										
General Government	\$12,929,877	15.5%	\$14,851,144	17.5%	\$15,993,716	17.9%	\$15,771,509	17.0%	\$16,244,654	16.6%
Public Safety	\$34,283,456	41.1%	\$35,471,326	41.7%	\$36,794,790	41.1%	\$38,952,129	42.0%	\$40,398,977	41.4%
Public Works	\$6,246,296	7.5%	\$7,283,518	8.6%	\$7,153,585	8.0%	\$7,421,886	8.0%	\$7,644,543	7.8%
Planning Services	\$6,265,249	7.5%	\$7,553,760	8.9%	\$7,104,457	7.9%	\$7,421,886	8.0%	\$7,644,543	7.8%
Engineering Services	\$3,037,830	3.6%	\$3,357,210	3.9%	\$3,272,359	3.7%	\$3,618,170	3.9%	\$3,726,715	3.8%
Parks and Recreation	\$5,862,135	7.0%	\$7,969,871	9.4%	\$8,353,753	9.3%	\$8,349,622	9.0%	\$8,600,111	8.8%
Capital Outlay	\$244,429	0.3%			\$0	0.0%			\$0	0.0%
<b>Total Expenses</b>	<b>\$68,869,272</b>	<b>82.6%</b>	<b>\$76,486,829</b>	<b>89.9%</b>	<b>\$78,672,660</b>	<b>87.8%</b>	<b>\$81,535,203</b>	<b>87.9%</b>	<b>\$84,259,543</b>	<b>86.3%</b>
<b>Net Income (Loss)</b>	<b>\$14,458,265</b>	<b>17.4%</b>	<b>\$8,559,438</b>	<b>10.1%</b>	<b>\$10,909,837</b>	<b>12.2%</b>	<b>\$11,238,378</b>	<b>12.1%</b>	<b>\$13,368,363</b>	<b>13.7%</b>
<b>Nonoperation Revenues (Expenses)</b>										
<b>Net Non-operating Revenues (Expenses)</b>	<b>\$0</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>	
<b>Income (Loss Before Operating Transfers)</b>	<b>\$14,458,265</b>	<b>17.4%</b>	<b>\$8,559,438</b>	<b>10.1%</b>	<b>\$10,909,837</b>	<b>12.2%</b>	<b>\$11,238,378</b>	<b>12.1%</b>	<b>\$13,368,363</b>	<b>13.7%</b>
<b>Capital Contributions and Transfers</b>										
Transfer In	\$7,383,298		\$2,925,117		\$2,371,181		\$2,428,463		\$2,487,243	
Transfer Out	(\$21,884,286)		(\$13,235,709)		(\$13,568,152)		(\$12,525,166)		(\$11,882,694)	
<b>Change in Net Assets</b>	<b>(\$42,723)</b>		<b>(\$1,751,154)</b>		<b>(\$287,134)</b>		<b>\$1,141,675</b>		<b>\$3,972,912</b>	
<b>Total Operating Expenses/Total Operating Revenues</b>		<b>82.6%</b>		<b>89.9%</b>		<b>87.8%</b>		<b>87.9%</b>		<b>86.3%</b>



**Exhibit 4A**  
**North Coast Highway 101 Safety and Mobility Enhancements & Leucadia Streetscape Project**



**Exhibit 4B - SEGMENT C**



**Exhibit 4-C**  
North Highway 101 Projects

