CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

PRELIMINARY REVIEW

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

Applicant: Tiburon Fire Protection District (District)	**ISRF Criteria Project Type / Category:** Public Development Facilities / 14. Public Safety Facilities	
Amount Requested: $4,300,000 (Financing)	**Financing Term:** 30 years	**Interest Rate (Indicative Only):** 4.44% (including a 0.30% annual servicing fee)
Source of Repayment: General Fund (Fund)		**Applicant Credit Rating/Date:** Unrated
Leasehold Interest: First position leasehold interest in District's Fire Station 11 located at 1679 Tiburon Boulevard, Tiburon, CA, 94920		
Project Name: Fire Station 10 (Project)		**Project Location:** 4301 Paradise Drive, Tiburon, CA, 94920

Project Description and Use of ISRF Proceeds:

The Tiburon Fire Protection District is an autonomous Special District serving a population of just over 11,000 in the Town of Tiburon, the City of Belvedere, unincorporated residential and wildland areas on the Tiburon Peninsula and parts of the San Francisco Bay, and Angel Island State Park. The District has no prior loans with IBank.

The District's project is to construct a new 5,455 sq. ft. two-story fire station building at the location of the existing Station 10 building (Project). Station 10 was constructed in 1960 and has reached the end of its useful life and is to be demolished. The new station will be classified as an essential structure, meeting all ADA and other building code requirements, while providing accommodations for additional personnel, larger living quarters for a diverse workforce, and room for a modern fire apparatus. The Project site is owned free and clear by the District, however due to the construction, the leased asset to secure the financing will be Fire Station #11, which is also unencumbered. Therefore, the financing will not include capitalized interest to cover financing lease payments during the construction phase.

The total Project budget is approximately $5.8 million, and broadly involves the new construction of: 1) the Apparatus Bay i.e. the garage for the fire trucks; (2) First floor living; and (3) Second floor living. The scope of work includes but are not limited to: (1) existing Station 10 building demolition and site work; (2) site improvements; (3) site utilities; (4) doors and windows; (5) elevator system; (6) equipment replacements; (7) elevator/ conveying systems; (8) plumbing; and (9) HVAC and electrical systems.

Project Timeline:

Subject to financing approval from IBank, The District would initiate the construction bidding shortly thereafter, with the goal of breaking ground on the Project in the Spring of 2023.

Project Sources and Uses:

Project Uses	Project Sources for Tiburon Fire Protection District		
	IBank	Tiburon Fire Protection District	Total
Project Uses	$4,240,000	$1,174,090	$5,414,090
Construction Contingency		$285,910	$285,910
Engineering/Architectural/Design/Permits/ Environmental		$35,000	$35,000
Transaction Cost	$60,000		$60,000
Origination Fee		$43,000	$43,000
Total	**$4,300,000**	**$1,538,000**	**$5,838,000**

The Tiburon Fire Protection District's has set aside $2.35M in its FY 2022/23 Budget for Facilities & Building Reserves. Included in these reserves are $1.5M for the Project, as reflected above. In addition, the District has set another $1.6M for future apparatus replacement, i.e. $88K for equipment and $73K for IT replacement costs. IBank's loan origination fee and contingency will be paid by the District.

Construction contingency of $533K is included in the construction estimate line items along with an additional contingency of $285,910 to be paid by the District. This is a total contingency of $829K or 16.5% of the total $5.8M budget. Any additional cost overruns will be paid by the District.

Project Public and Economic Benefits:

The new Station 10 will have a modern firefighting apparatus and meet all requirements for housing full-time firefighters at the station. In addition, the Project will include site improvements to traffic safety surrounding location. It will improve fire safety services, which should help keep fire insurance rates at reasonable levels in the District service area. The new fire station will create 2 new fire fighter positions at $100K annual salaries, retain 29 existing jobs, and create 8-10 construction jobs.

Credit Considerations:

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

Lease Payment and Fund Balance Analysis					
	2017	2018	2019	2020	2021
Excess (Deficiency) of Revenues Over (Under) Expenditures	$218,018	$37,673	$336,383	$7,026	$222,872
Adjustments Specific to the Transactions					
Capital Outlay Adjustment (addback)	$324,249	$745,906	$311,757	$133,003	$76,507
Total Adjustments	$324,249	$745,906	$311,757	$133,003	$76,507
Adjusted Revenues	$542,267	$783,579	$648,140	$140,029	$299,379
Proposed ISRF Lease Payment *	$273,443	$273,443	$273,443	$273,443	$273,443
Revised Net Change in Funds Balance with ISRF Lease Payment	$268,824	$510,136	$374,697	($133,414)	$25,936

** Calculated at $4,300,000 at 4.44% interest rate plus 30 bps ASF for 30 years.*

After adjustments, the District had adequate cashflow to cover the financing lease payment in four out of five historical years reviewed. FY 2020 shows inadequate coverage due to a $1.05M contribution towards the District's pension fund beyond what was required. The District had budgeted $445K, but the actual amount spent was $1.494M. Additionally the decrease of intergovernmental accounts, which fell by about $255K (49%) vs. the prior year impacted the operating margin. The decrease reflected the District's lower level of participation in out-of-county wildfire responses, which can vary from year to year.

Capital Outlay costs are added back in the chart above under the rationale that, since the District prepares its General Fund statements on a modified accrual basis, this line item serves as the equivalent of depreciation expense under full accrual accounting. We also assume that going forward the District would prioritize financing lease payments over normal capital expenditures in its annual budgeting process.

The cash flow chart above does not include the Measure J parcel tax that was passed by Tiburon voters in 1980 to provide essential revenue source to maintain fire protection and ambulance levels. While the District suspended the tax in 2005, it recently approved its resumption for the coming fiscal year, specifically to help cover the financing costs associated with Station 10. Tiburon residential property owners now pay $75 a year as part of their property tax bill and business property owners will pay $125 a year. The District anticipates Measure J will generate estimated annual revenue of $298K and at a minimum $245K per year; the smaller figure would still cover over 90% of the proposed lease payment. Projections are discussed in further detail in the body this report.

Going forward, the District intends to recommend annual renewal of the Measure J tax as part of the Budget annual budgeting process. Since the it is up to the District Board to approve the tax, it is very unlikely that it would be denied for as long as it is deemed necessary. Nonetheless, considering the District's strong reserves (with cash balances regularly in excess of $6.5 million and minimal additional liabilities), Staff is recommending that the District establish a Financing Reserve equivalent to one year of lease payments. The reserve would be in place for a minimum of three years following construction completion, to be released subject to timely annual payment.

Support for Staff Recommendations:

1. The District's strong balance sheet, including a FY 2021 Cash Balance in excess of $7M, with liabilities (including deferred inflows of resources) of just $479K. As noted, approximately $273,443 will be designated as a Financing Reserve for the first three years of operation of the new Station 10.
2. A debt service reserve fund will be required for one year of debt service after the project construction is complete.
3. The estimated useful life of Project is at least 50 years and exceeds the 30-year term of the Financing.
4. Total proposed financing lease payments (the District has no debt obligations) comprise 4.35% of total FY 2021 Fund revenue, well below the IBank Criteria limit of 15% for General Fund financings.

Exceptions:

1. The District seeks an IBank Board waiver of the Criteria requirement to complete construction within two years. The Project timeline is estimated at 36 months.

IBank Staff: Lina Benedict and Richard Nesbitt	**Date of Staff Report:** 12/12/2022
Date of IBank Board Meeting 12/21/2022	**Resolution Number:** 22-21

GENERAL DISTRICT INFORMATION AND ECONOMY

The Tiburon Fire Protection District (the "District") is an autonomous Special District as defined under the Fire Protection Law of 1987. The District is governed by a five-member elected Board of Directors, each serving a four-year term. The District is responsible for providing the highest level of emergency and non-emergency services to protect life, property, and the environment. Its service area encompasses approximately 5.5 square miles, serving a population of just over 11,000 in the Town of Tiburon, the City of Belvedere, unincorporated residential and wildland areas on the Tiburon Peninsula and parts of the San Francisco Bay, and Angel Island State Park. The District is staffed by 29 full-time employees.

The town of Tiburon is located north of San Francisco, in Marin County, and has an estimated population of 9,052 (US Census data 2020) and median household income of $178,125, or 226% of the State figure. Per EDD (Employment Development Dept.) the Marin County had an unemployment rate of just 2.2% in October 2022 (separate data for Tiburon was not available). Tiburon is a wealthy commuter and tourist town with a concentration of restaurants and shops, linked by ferry services to San Francisco.

The City of Belvedere, adjacent to Tiburon, is less than one square mile in size, surrounded on three sides by the San Francisco Bay. The City of Belvedere has an estimated population of 2,216 (US Census data 2020), and a medium household income of $247,798 (315% of the State figure).

Supplemental information in the District's FY 2021 ACFR indicates Total Secured Assessed Value of roughly $5.6 billion and a population of 10,950 for the District's service area. This equates to over $500,000 in Assessed Value per capita, a very high figure indicating the strength of the local tax base.

Project Description:

The Project broadly includes the Apparatus Bay i.e. the garage for the fire trucks, first floor living of 2,250 sq. ft., and second floor living area of 2,294 sq. ft.

The components of the construction budget include but are not limited to the following:

1. Existing Station 10 building demolition and site work - Station 10 was built in the 1960's and is past its useful life and is to be demolished completely. Site work including grading, layout and staking, erosion control elements, etc.
2. Site improvements – including asphalt and concrete paving, concrete curbs, pavement markings, site retaining wall and footing, fences and gates, landscape irrigation, site bioretention, parking bumpers/bollards and bike racks.
3. Site utilities – includes fire water system, domestic water system, irrigation water supply, sanitary sewer system, and storm drainage.
4. Doors and windows
5. Elevator system
6. Equipment replacements
7. Elevator/ conveying systems
8. Plumbing
9. HVAC and electrical systems including site lighting, security cameras.

The cost per square foot for the construction contract is $992.50. As mentioned earlier the total construction contingency included is $829K or 16.5% of the total $5.8M budget. Any additional cost overruns will be paid by the District.

The District 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 will be annual capital lease payments from the District's General Fund, based on the standard lease-lease back structure for such financings.

Since the Project site will not be occupied or useable during the construction phase, in order to avoid paying capitalized interest, the leased asset will be the District's Fire Station 11, which is an operating, unencumbered asset. The District intends to do a substitution of leased asset after construction is completed and Station 10 will be substituted in as the leased asset.

Name of Asset	Year Built	Building Size in Square Feet (SF)	Construction	Estimate of Value
District's Fire Station #11	1994	11,300	Frame	$5,243,000
Total Value				**$5,243,000**
Loan Amount				**$4,300,000**
Value-to-loan				**122%**

Fire Station 11, located at 1679 Tiburon Boulevard, was built in 1994 and is a 11,300 sq. ft. two-story building. Fire Agencies Insurance Risk Authority completed an insurance appraisal dated December 31, 2021, which provided an insurable value for Station 11 of $5,243,000. This creates a 'Value-to-Loan' ratio of 122%, which is acceptable to IBank since the value exceeds the size of the financing, though not by an unreasonable amount.

Staff reviewed a preliminary title report ("Prelim") for the Leased Asset. The Prelim reflects a fee simple title held by the District and standard encumbrances of property taxes, supplemental taxes, water rights, and easements for utilities purposes. All exemptions noted in the title report are customary, reasonable, and acceptable to IBank. A Proforma Title insuring IBank's first-position leasehold interest will be required no later than three weeks prior to closing.

To determine Fair Rental Value (FRV), due to the uniqueness of the subject property (fire station), we reviewed 10 other properties ranging from office space, retail, light industrial and flex properties to derive an average annual rental cost per sq. ft. of $47. Multiplying this figure by the total square footage of the Fire Station #11 of 11,300 gives us an estimated annual rental value of $531,100. Our estimate lease payment would be $273,443 is significantly lower than the estimated FRV, therefore, on both VTL and FRV measures the proposed asset is an eligible source of security for Bank's financing.

Subject to similar analysis to the above, the completed Station 10 is also expected to be an acceptable asset to provide financing security and will be an essential asset to the District and public.

CREDIT ANALYSIS

The source of financing repayment will be the District's General Fund. IBank staff reviewed audited General Fund financial statements, as presented in the District's Annual Comprehensive Financial Reports (ACFRs), for fiscal years 2017 through 2021, and summarized in Exhibits 1 and 2. The General Fund financials are prepared on a modified accrual accounting basis, focusing on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Ratio Analysis

Following are some key economic and financial ratios for the District:

Ratio Analysis					
($000) as of FYE June 30	2017	2018	2019	2020	2021
Median Family Income	$ 151,429	$163,865	$154,915	$178,125	ND
Cash Balance	$ 6,083	$ 6,341	$ 6,665	$ 6,666	$ 7,069
Operating Revenue	$ 7,946	$ 8,258	$ 8,826	$ 9,031	$ 9,864
Cash Balance as % of Operating Revenue	76.5%	76.8%	75.5%	73.8%	71.7%
Current Ratio	14.8	15.3	21.7	35.3	19.6
Leverage Ratio	0.08	0.08	0.06	0.05	0.07
Operating Margin	2.7%	0.5%	3.8%	0.1%	2.3%

Comparative Balance Sheet Analysis (Exhibit 1):

The District's cash and equivalents accounts averaged about $6.5M over the five historical years. Cash as a percentage of Operating Revenue averaged 74.8%, indicating that the District has more than sufficient cash to meet is financial obligations that may arises if warranted.

Total Assets grew 14.9% from $6.3M to over $7.2M over the five years reviewed. The increase is largely due to the District's fiscal stewardship, responsibility, and preparation for anticipated apparatus and equipment replacement, as well as the Station 10 Project. The District has been building these reserve funds since 1997.

The Current Ratio (current assets divided by current liabilities) averaged 21.34x over the five-year period, attesting to the District's strong liquidity.

The Leverage Ratio (total liabilities divided by net assets) has been strong, well under 1.0x in all years reviewed. The District currently has no debt. In FY 2018 it obtained equipment financing of approximately $380,000, which was fully repaid by FY 2021. (The P&I payment was included in the District's operating expenses and has therefore been included in the historical lease payment analysis.)

With the District's Fund Balance accounts totaling $6.8M as of FY 21, the committed balance of $3.7M was set aside for facilities and infrastructure ($1.7M), apparatus reserves ($1.1M), and CalPERS Unfunded Accrued Liabilities ($950K). Unassigned funds of $2.6M are available for contingencies.

Comparative Income Statement Analysis (Exhibit 2):

The District's Operating Margin (Operating Result as a percentage of Operating Revenue) has been fluctuating with the lowest of 0.1% in FYE of 2020 and highest of 3.8% in FYE 2019, averaging 1.9%

over the period. The District has generally posted small operating surpluses, though some years have been close to break-even.

The main factor for the low operating margin in FY 2020 was the $1.05M contribution towards the District's pension fund beyond what was required (The District had budgeted $445K, but the actual amount spent was $1.494M), and the decrease of intergovernmental accounts, which fell by about $255K (49%) vs. the prior year. The decrease reflected the District's lower level of participation in out-of-county wildfire responses, which can vary from year to year. The decrease was partially offset by a decrease in capital outlays, which fell by about $178K.

Property tax revenue remains the District's most stable revenue source, and accounts for over 70% of revenues in a typical year. It increased 21.7% in the years reviewed, reflecting steady increases in assessed property values within the District. Charges for services increased steadily due to increased finance and admin services provided to SMEMPS (Southern Marin Emergency Paramedic System), as well as the incremental increase in contact charges to the City of Belvedere.

In FY 2020, due to the numerous fires, there was a $394M net increase in direct personnel cost, $261M of which was reimbursable overtime for the District's participation in out-of-county wildland fire and emergency responses, an additional $282M net increase in employee benefits. These higher costs also contributed to the narrower operating performance in FY 2020.

During the 5-year period reviewed, the District's P&L fluctuated mainly due to their debt service on rescue vehicles and engines, based on outstandings, some prepayments, and final principal and interest payments.

Revenues Budget				
Year	**Original**	**Final**	**Actual**	**Difference between Final and Actual**
2017	$7,776,338	$8,091,929	$7,946,125	$145,804
2018	$7,923,144	$8,333,551	$8,258,024	$75,527
2019	$8,556,407	$8,552,480	$8,826,384	-$273,904.00
2020	$9,043,953	$9,013,233	$9,030,550	-$17,317.00
2021	$8,951,162	$9,890,852	$9,863,784	$27,068

Expenses Budget				
Year	**Original**	**Final**	**Actual**	**Difference between Final and Actual**
2017	$7,741,149	$7,996,602	$7,728,107	$268,495
2018	$8,080,482	$8,330,686	$8,220,351	$110,335
2019	$8,556,365	$8,552,284	$8,490,001	$62,283
2020	$8,861,739	$9,012,383	$9,023,524	-$11,141.00
2021	$8,949,263	$9,890,060	$9,640,912	$249,148

The District demonstrates stable budget control and financial management. Actual budgeted revenues exceeded Final revenues only once in the last five years, and with some exceptions, the District has shown itself capable of managing expenses. The District has managed stable operations with small surpluses.

Repayment Analysis, Projections and Projected Lease Payment:
Projections were provided by the District for FY 2022 through 2026. Please see Exhibit 3 for the projections and a more detailed list of assumptions. The main assumptions of note are the inclusion of Measure J income and increases in Service Charge income from the City of Belvedere, which are both approved.

Projected Lease Payment and Fund Balance Analysis					
	2022	**2023**	**2024**	**2025**	**2026**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**$211,832**	**$340,689**	**$465,708**	**$78,903**	**$66,919**
Adjustments Specific to the Transactions					
Reserve funding transfer to Revenues (Deduct)		($1,200,000)	($1,150,000)	($300,000)	($700,000)
Capital Outlay related to Station #10 (Addback)	$110,427	$1,200,000	$1,150,000	$400,000	$800,000
Principal (Addback)		$132,000	$133,000	$133,000	$134,000
Interest (Addback)		$159,000	$158,000	$158,000	$157,000
Total Adjustments	$110,427	$291,000	$291,000	$391,000	$391,000
Adjusted Revenues	$322,259	$631,689	$756,708	$469,903	$457,919
Proposed ISRF Lease Payment *	$273,443	$273,443	$273,443	$273,443	$273,443
Revised Net Change in Funds Balance with ISRF Lease Payment	$48,816	$358,247	$483,265	$196,461	$184,477

**** Calculated at $4,300,000 at 4.44% interest rate for 30 years.***

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

After Proposition 13 caused a 60% reduction in the Tiburon's Fire Protection District traditional source of revenues, Measure J was approved in 1980 so that the District could maintain the current level of fire protection and ambulance service in. Measure J has not been assessed since 2005. Now, given the need to build a new Station 10, the District Board has approved the reinstatement of Measure J for the coming year. The District estimates annual Measure J revenue of $298,200, and a minimum of $245K. Even the minimum would cover approximately 90% of the proposed lease payment.

Each year as part of the budget process, Measure J will be presented to the Board to approve the Special Tax Levy Resolution. The Board is aware that each year they must go through this process per Resolution. It is very unlikely that the Board would not approve this measure since it is to fund the new fire station. If for some reason the Board did not approve this measure the funds would come from their reserves which they have been building up for many years.

The projections show reserves from the balance sheet transferred into the revenue accounts and then being expensed as Capital Outlays. These are essentially a wash. Principal and Interest Expenses, which are meant to represent the ISRF financing, were also added back to avoid double counting.

The projections show adequate funds to cover the proposed lease payments in all years through FY 2026. As noted, the District currently has no other debt no plans for further borrowing for the next five years.

While the District's financial position appears strong, given its small size and intended reliance on a renewed revenue source to meet financing lease payments, Staff is recommending a Debt Service Reserve equivalent to one year of payments ($273K). The DSR would be in place for at least three years after the construction is completed and Station 10 is in operation, subject to timely lease payment. The District has stated that they can create the reserve fund from a committed or restricted account.

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 financing lease and debt service obligations (inclusive of the ISRF Financing) is less than 15% of the District's Total Revenues for FY 2021.
- The Leased Asset (Fire Station 11) and is acceptable to IBank.
- The Fund adequately covers existing expenditures, financing obligations, and the proposed IBank debt payments.
- The useful life of the Project is over 30 years and exceeds the term of this Financing.

Exceptions:

The District seeks an IBank Board waiver of the Criteria requirement to complete construction within two years. The Project timeline is conservatively estimated at 36 months.

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 borrower has reinstated the Measure J parcel tax (for the first time since 2005), to help pay for Station #10. These funds are estimated to cover over 90% of the proposed lease payment.
5. The District is not prohibited from incurring additional financing or debt obligations.

Mitigating Factors

1. The District's Board intends to renew Measure J annually for as long as needed to repay the loan. If for some reason the Board does not approve it one year, they have reserves to pay the proposed debt obligation. As of FY 2021 ACFR's, the District has over $6.8M in fund balances, and Unassigned reserves of over $2.6M
2. The District will be required to maintain a Financing Reserve fund for one year of lease payments, to remain in place for at least three years after Project construction is complete, subject to timely lease payment.
3. The Borrower will covenant to annually budget and appropriate lease payments.
4. 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.
5. The Borrower will obtain title insurance in favor of IBank's first-lien position and will covenant against permitting additional encumbrances against the Lease Asset.
6. The District will be prohibited from issuing future debt and lease financings 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.
7. Lease payment from the District draws upon a solid revenue base which provide the Borrower with greater flexibility to meet the required Lease obligations.

STAFF RECOMMENDATION

Staff recommends approval of Resolution No. 22-21 authorizing ISRF Program financing in an amount not to exceed $4,300,0000 to the Tiburon Fire Protection District for the construction of Station 10 building project:

1. **Applicant/Borrower:** Tiburon Fire Protection District
2. **Project:** Fire Station 10 Project
3. **Amount of ISRF Program financing**: $4,300,000
4. **Maturity:** Not to exceed 30 (Thirty) years
5. **Repayment/Leased Asset**: General Fund Lease provides IBank with a leasehold interest on Fire Station 11 (leased asset).
6. **Interest Rate:** All-in 4.44% (including a 0.30% annual servicing fee)
7. **Fees:** The District to pay the origination fee of 1.00%, $43,000 upon loan closing, and an annual fee of 0.30% of the outstanding principal 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 90 days from the date of its adoption. Thus, the District and IBank must enter into the ISRF Program financing agreement(s) no later than 90 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. A debt service Financing Reserve Fund will be required for a year of debt service, to remain in place for a period of at least three years after the project construction is complete, subject to timely lease payment.
b. 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 for IBank's first position leasehold interest in the Leased Asset.
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:

TIBURON FIRE PROTECTION DISTRICT GENERAL FUND										
For Fiscal Year Ending (FYE) June30	2017		2018		2019		2020		2021	
Source:	ACFR	%	ACFR	%	ACFR	%	ACFR	%	ACFR	%
Assets										
Cash and equivalents	$6,082,570	95.9%	$6,340,706	93.6%	$6,665,000	95.2%	$6,665,721	96.9%	$7,069,368	97.1%
Receivables:										
Accounts receviable	53,214	0.8%	206,429	3.0%	79,923	1.1%	25,467	0.4%	47,203	0.6%
Interest	13,429	0.2%	$29,350	0.4%	$10,515	0.2%	$19,815	0.3%	$5,883	0.1%
Property taxes	130,224	2.1%	130,697	1.9%	181,662	2.6%	137,578	2.0%	143,767	2.0%
Prepaid items	60,934	1.0%	69,784	1.0%	60,760	0.9%	32,027	0.5%	18,012	0.2%
Total Assets	**$6,340,371**	**100.0%**	**$6,776,966**	**100.0%**	**$6,997,860**	**100.0%**	**$6,880,608**	**100.0%**	**$7,284,233**	**100.0%**
Deferred Outflow of Resources										
Total Deferred Outflows of Resources										
Total Assets and Deferred Outflows of Resources	**$6,340,371**	100.0%	**$6,776,966**	100.0%	**$6,997,860**	100.0%	**$6,880,608**	100.0%	**$7,284,233**	100.0%
Liabilities										
Accounts payable and accured expenses	175,431	2.8%	218,289	3.2%	182,141	2.6%	63,447	0.9%	110,552	1.5%
Payroll liablities							118,949		105,868	
Unearned revenue	252,144	4.0%	224,843	3.3%	140,655	2.0%	12,622	0.2%	154,351	2.1%
Total Liabilities	**$427,575**	**6.7%**	**$443,132**	**6.5%**	**$322,796**	**4.6%**	**$195,018**	**2.8%**	**$370,771**	**5.1%**
Deferred Inflows of Resources										
Deferred property taxes	94,000	1.5%	96,000	1.4%	100,000	1.4%	103,500	1.5%	108,500	1.5%
Total Deferred Inflows of Resources	**$94,000**	1.5%	**$96,000**	1.4%	**$100,000**	1.4%	**$103,500**	1.5%	**$108,500**	1.5%
Total Liabilities and Deferred Inflows of Resources	**$521,575**	8.2%	**$539,132**	8.0%	**$422,796**	6.0%	**$298,518**	4.3%	**$479,271**	6.6%
Net Position										
Reserved for:										
Fund Balance										
Nonspendable -prepaid items	60,934	1.0%	69,784	1.0%	60,760	0.9%	32,027	0.5%	18,012	0.2%
Committed					3,823,367		3,685,627		3,754,443	
Assigned	3,910,028	61.7%	3,753,835	55.4%	457,895	6.5%	546,389	7.9%	388,219	5.3%
Unassigned	1,847,834	29.1%	2,414,215	35.6%	2,233,042	31.9%	2,318,047	33.7%	2,644,288	36.3%
Total Fund Balances	**$5,818,796**	91.8%	**$6,237,834**	92.0%	**$6,575,064**	94.0%	**$6,582,090**	95.7%	**$6,804,962**	93.4%
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$6,340,371**	**100.0%**	**$6,776,966**	**100.0%**	**$6,997,860**	**100.0%**	**$6,880,608**	**100.0%**	**$7,284,233**	**100.0%**

EXHIBIT 2

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

TIBURON FIRE PROTECTION DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND										
For Fiscal Year Ending (FYE) June30	2017	%	2018	%	2019	%	2020	%	2021	%
Source:	ACFR		ACFR		ACFR		ACFR		ACFR	
% Change Year-over-Year in Total Revenues		N/A		3.78%		6.44%		2.26%		8.45%
Revenues										
Property taxes	$5,635,658	70.9%	$5,928,502	71.8%	$6,309,372	71.5%	$6,542,310	72.4%	$6,859,379	69.5%
Intergovernmental	556,929	7.0%	594,275	7.2%	524,877	5.9%	269,345	3.0%	834,387	8.5%
Use of money and property	58,843	0.7%	99,483	1.2%	162,868	1.8%	174,504	1.9%	127,284	1.3%
Charges for services	1,476,818	18.6%	1,501,576	18.2%	1,639,394	18.6%	1,729,497	19.2%	1,801,335	18.3%
Distributions for Southern Marin Emergency Medical Paramedic System	191,582	2.4%	123,655	1.5%	167,232	1.9%	285,000	3.2%	235,949	2.4%
Reimbursements and miscellaneous	26,295	0.3%	10,533	0.1%	22,641	0.3%	29,894	0.3%	5,450	0.1%
Total Revenues	**$7,946,125**	**100.0%**	**$8,258,024**	**100.0%**	**$8,826,384**	**100.0%**	**$9,030,550**	**100.0%**	**$9,863,784**	**100.0%**
Expenditures										
Current:										
Salaries and benefits	6,668,580	83.9%	6,495,379	78.7%	7,430,126	84.2%	8,075,270	89.4%	8,698,012	88.2%
Material and services	682,002	8.6%	684,570	8.3%	696,118	7.9%	716,672	7.9%	767,814	7.8%
Capital outlay	324,249	4.1%	745,906	9.0%	311,757	3.5%	133,003	1.5%	76,507	0.8%
Debt Service										
Principal	51,892	0.7%	288,038	3.5%	52,000	0.6%	91,072	1.0%	94,751	1.0%
Interest	1,384	0.0%	6,458	0.1%			7,507	0.1%	3,828	0.0%
Total Expenditures	**$7,728,107**	**97.3%**	**$8,220,351**	**99.5%**	**$8,490,001**	**96.2%**	**$9,023,524**	**99.9%**	**$9,640,912**	**97.7%**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**$218,018**	2.7%	**$37,673**	0.5%	**$336,383**	3.8%	**$7,026**	0.1%	**$222,872**	2.3%
Other Financing Sources (Uses)										
Sale of equipment	290,000				847					
Issuance of debt from capital lease transaction			381,365							
Total Other Financing Sources (Uses)	**$290,000**		**$381,365**		**$847**		**$0**		**$0**	
Net Change in Fund Balance Before Extraordinary Items	**$508,018**		**$419,038**		**$337,230**		**$7,026**		**$222,872**	
Extraordinary Items										
Transfer of SERAF Loan from Successor Agency										
Total Extraordinary Items	**$0**		**$0**		**$0**		**$0**		**$0**	
Net Change in Fund Balance	**$508,018**		**$419,038**		**$337,230**		**$7,026**		**$222,872**	
Fund Balance, Beginning of Year	**$5,310,778**		**$5,818,796**		**$6,237,834**		**$6,575,064**		**$6,582,090**	
Prior Year Adjustment										
Fund Balance, End of Year	**$5,818,796**		**$6,237,834**		**$6,575,064**		**$6,582,090**		**$6,804,962**	

EXHIBIT 3

Projections with assumptions provided by the District

TIBURON FIRE PROTECTION DISTRICT PROJECTIONS												
For Fiscal Year Ending (FYE) June 30	2021 Actual		2022 Projected		2023 Projected		2024 Projected		2025 Projected		2026 Projected	
Source:	ACFR	%	Projections	%	Projections	%	Projections	%	Projections	%	Projections	%
% Change		7%		1%		2%		2%		2%		-100%
Total Revenues												
Property taxes	$6,859,379	69.5%	$7,357,819	69.7%	$7,451,844	61.6%	$7,610,070	62.3%	$7,794,659	66.5%	$7,983,852	63.9%
Measure J parcel tax revenue					$298,200	2.5%	$298,200	2.4%	$298,200	2.5%	$298,200	2.4%
Intergovernmental	$834,387		$939,109	8.9%	$692,744	5.7%	$634,929	5.2%	$646,360	5.5%	$658,032	5.3%
Use of money and property	$127,284		$32,298	0.3%	$45,000	0.4%	$46,350	0.4%	$47,741	0.4%	$49,173	0.4%
Charges for services	$1,801,335		$1,923,700	18.2%	$2,103,911	17.4%	$2,246,985	18.4%	$2,399,536	20.5%	2,562,644	20.5%
Distributions for Southern Marin Emergency Medical Paramedic System	$235,949		$290,012	2.7%	$290,000	2.4%	$220,370	1.8%	$220,370	1.9%	$220,370	1.8%
Reimbursements and miscellaneous	$5,450		$10,940	0.1%	$13,200	0.1%	$13,200	0.1%	$13,200	0.1%	$13,200	0.1%
Reserve Funding - related to station 10 project					$1,200,000	9.9%	$1,150,000	9.4%				
Reserve Funding - apparatus replacement									$300,000	2.6%	$700,000	5.6%
Total Revenues	**$9,863,784**	**100.0%**	**$10,553,878**	100.0%	**$12,094,899**	100.0%	**$12,220,104**	100.0%	**$11,720,065**	100.0%	**$12,485,469**	100.0%
Expenses												
Current												
Salaries and benefits	$8,698,012		$9,414,292	89.2%	$8,597,044	71.1%	$8,842,414	72.4%	$9,178,017	78.3%	$9,489,976	76.0%
Material and services	$767,814		$817,327	7.7%	$1,090,405	9.0%	$1,045,284	8.6%	$1,059,060	9.0%	$1,080,366	8.7%
Capital Outlay	$76,507		$110,427	1.0%	$1,775,760	14.7%	$1,575,698	12.9%	$1,113,085	9.5%	$1,557,208	12.5%
Debt Service												
Principal	$94,751		$0		$132,000		$133,000		$133,000		$134,000	
Interest	$3,828	0.0%	$0	0.0%	$159,000	1.3%	$158,000	1.3%	$158,000	1.3%	$157,000	1.3%
Total Expenses	**$9,640,912**	**97.7%**	**$10,342,046**	98.0%	**$11,754,209**	97.2%	**$11,754,396**	96.2%	**$11,641,162**	99.3%	**$12,418,550**	99.5%
Net Income (Loss)	**$222,872**	**2.3%**	**$211,832**	2.0%	**$340,689**	2.8%	**$465,708**	3.8%	**$78,903**	0.7%	**$66,919**	0.5%
Nonoperation Revenues (Expenses)												
Net Non-operating Revenues (Expenses)	**$0**	0.0%	**$0**		**$0**		**$0**		**$0**		**$0**	
Income (Loss Before Operating Transfers)	**$222,872**	**2.3%**	**$211,832**	2.0%	**$340,689**	2.8%	**$465,708**	3.8%	**$78,903**	0.7%	**$66,919**	0.5%
Capital Contributions and Transfers												
Sale of equipment			$0		$0		$0		$0		$0	
Change in Net Assets	**$222,872**		**$211,832**		**$340,689**		**$465,708**		**$78,903**		**$66,919**	
Total Operating Expenses/Total Operating Revenues	**97.7%**		**98.0%**		**97.2%**		**96.2%**		**99.3%**		**99.5%**	

<u>The following are the assumptions for the projections:</u>

<u>Property taxes and Parcel Taxes</u> - For Secured Property Taxes, a conservative annual increase of 2.5% is assumed, This includes $245K annually in estimated Measure J tax beginning 2023. (The District has been notified by the County that the current estimate is $298K).

<u>Intergovernmental</u> – This category is mainly Strike Team revenue - which is reimbursable overtime dependent on the District's participation in out-of-county wildfire, disaster, and emergency response. The District's participation can vary dramatically from year to year, so an average of recent years is used.

<u>Use of money and property</u> – Conservatively projected income from 2022 and beyond, assuming only modest interest rate increases moving forward. The sharp drop from 2021 to 2022 is due to the termination of a lease with Verizon to place a cell tower on District property.

<u>Charges for services</u> – Predominantly the District's contract with the City of Belvedere, assumes a 7% annual increase (to recapture some past deferrals); also includes plan check fees and Admin and Finance services provided to Southern Marin Emergency Medical Paramedic System (SMEMPS).

<u>Distributions for SMEMPS</u> – Based on SMEMPS' prior year audited financials; With the close of 2022, this is a strong estimate of 2023's distribution; future years are based an average of recent years, which can vary dramatically.

<u>Reimbursements and miscellaneous</u> – CPR/First aid courses offered to the public, charitable contributions, credit card rebates, workers comp reimbursements.

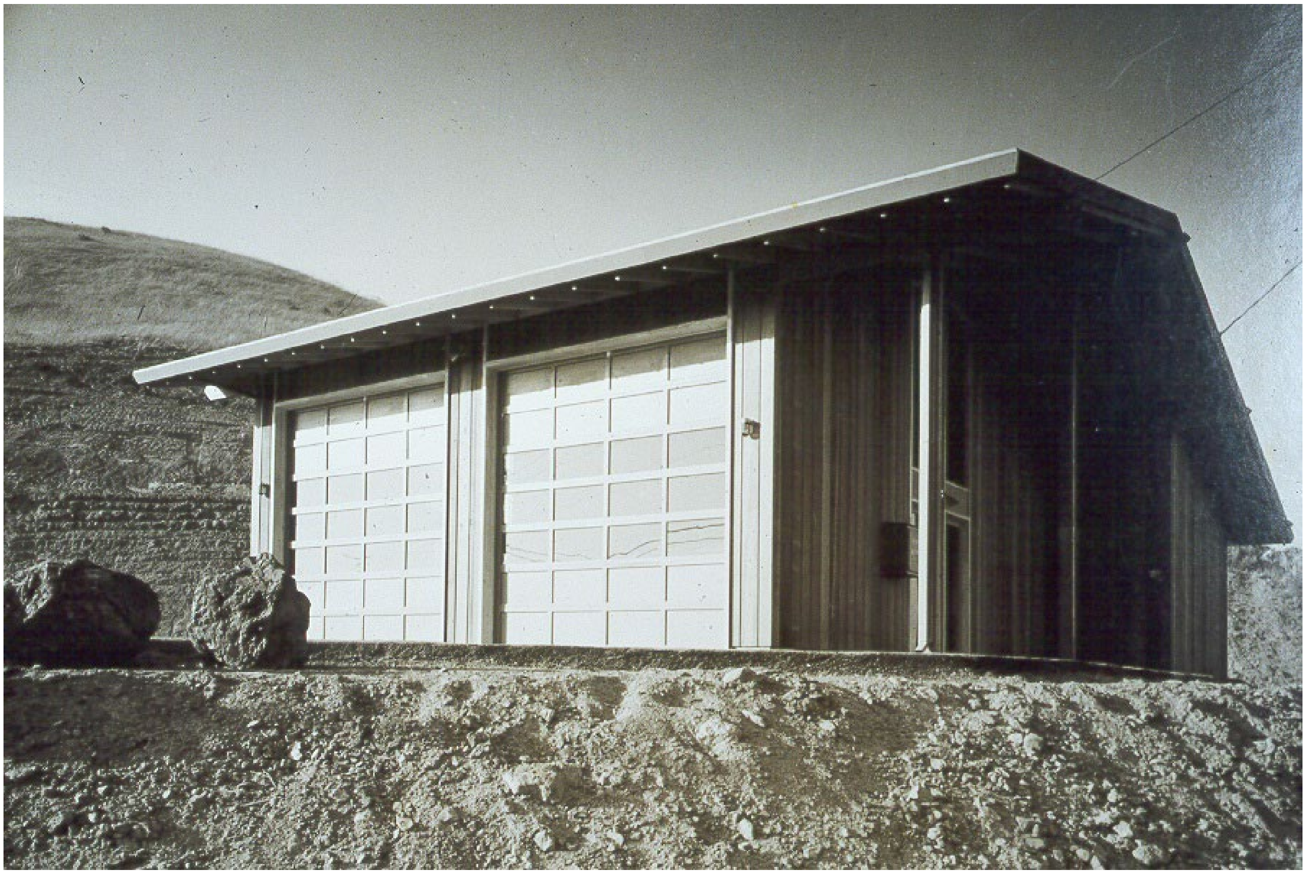
<u>Reserve Funding</u> – Funding from committed reserves specific to Station 10 project and upcoming apparatus replacement.

Salaries and Benefits – Assumes MOU salary increases as scheduled (4% for 2023; 3% for 2024), and 2% for 2025, pension obligations as projected by CalPERS, as well as increases in health insurance costs. The sharp drop from 2022 to 2023 and beyond is due to an assumed discontinuation of large lump sum payments to the District's Section 115 California Employers' Pension Prefunding Trust (CEPPT) plan.

Material and Services – A budget of around $1M is normal, even if the District may not have spent in recent years (pandemic-related supply issues play a large part recently.) It is a priority of the District to provide a sufficient budget to maintain a high level of service to the community.

Capital Outlays – Reflects upcoming apparatus equipment replacement, per the District's replacement schedule, as well as progress on the Station 10 remodel.

EXHIBIT 4
Fire Station 10 opened in 1960




E 10
AMBULANCE
TIBURON

Exhibit: Proposed Site Plan