

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

STAFF REPORT

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

Applicant: Placentia Library District of Orange County (District)	ISRF Project Type: Economic Expansion Project	ISRF Project Category Type: Educational, Cultural, and Social
Amount Requested: \$1,200,000 (Financing)	Financing Term: 25 years	Interest Rate: ¹ 3.30%
Source of Repayment: General Fund (Fund)		Fund Rating/Date: None
Security/Leasehold Interest: A Portion of the Placentia Library (Leased Asset)		

Project Name: Library Facility Improvement Measures (Project)	Project Location: 411 E. Chapman Ave. Placentia, CA 92870
---	---

Project Description / Source and Use of Proceeds:
The Project consists of three components for Facility Improvement Measures (FIMs) at the Library.

1. Interior Lighting Retrofit (FIM L-1)
2. Replace HVAC Equipment and Controls (FIM H-1)
3. Solar PV System (FIM S-1)

Use of Financing Proceeds:
The ISRF Program financing would provide approximately 80% of the funds for the FIMs, which includes all components necessary to initiate and complete the Project, including, but not limited to, design, architecture, engineering, geologic testing, construction, remediation, equipping, machinery installation, construction contingency (5%), permitting, entitlement, constructing management, project administration, and general project development activities. The District would contribute \$300,000 of its funds to the Project and pay the Origination Fee upon loan closing.

Project Uses	Project Sources for Placentia Library District of Orange County		
	IBank	Placentia Library District of Orange	Total
Improvements & Contingency	\$1,200,000	\$300,000	\$1,500,000
Origination Fee		\$12,000	\$12,000
Total	\$1,200,000	\$312,000	\$1,512,000

Source: Financing Application

¹ Interest Rate provided on February 14, 2018

Credit Considerations:

Lease Payment and Fund Balance analysis for the ISRF Program financing is as follows:

Lease Payment and Fund Balance Analysis					
	2012	2013	2014	2015	2016
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$420,842	\$362,127	\$160,132	\$151,546	\$373,100
	Adjustments Specific to the Transactions				
- Impact Fees	(\$250,402)	\$0	(\$32,194)	(\$52,984)	(\$119,227)
Total Adjustments	(\$250,402)	\$0	(\$32,194)	(\$52,984)	(\$119,227)
Adjustments to Excess (Deficiency) of Revenues	\$170,440	\$362,127	\$127,938	\$98,562	\$253,873
Proposed ISRF Lease Payment ¹	\$66,825	\$66,825	\$66,825	\$66,825	\$66,825
Other MADs General Fund Obligations	\$28,179	\$28,179	\$14,090	\$0	\$0
Revised Net Change in Funds Balance with ISRF Lease Payment	\$75,436	\$267,123	\$47,023	\$31,737	\$187,048

¹ Calculated at \$1,200,000 at 3.30% interest rate for 25 years

Analysis of historical Fund Balance demonstrates the Fund has sufficient capacity to support the requested Financing in all five years reviewed. Additionally, the District anticipates annual savings due to lower electricity costs resulting from the FIMs. The expected energy cost savings are not included in the analysis.

Support for Staff Recommendations:

1. Historical Fund Balances demonstrate that the Fund has sufficient capacity to support the requested ISRF Program financing in all five years reviewed.
2. Project is in accordance with AB32 goals to reduce greenhouse gas emissions with the completion of the FIMs.
3. Project is in accordance with IBank goals for energy conservation, clean energy additions, and achieving energy savings.
4. Project is in accordance with IBank guidelines for lighting and control systems and heating, ventilation, and air condition (HVAC) systems.
5. Project is in accordance with IBank Renewable Energy Sector guidelines for solar photovoltaic improvements.
6. The District anticipates annual savings due to lower electricity costs following the FIMs, resulting in expenditures savings that are not included in the analysis.

IBank Staff: Robin Root	Date of Staff Report: March 14, 2018
Date of IBank Board Meeting: March 27, 2018	Resolution Number: 18-04

Staff Recommendation:
Staff recommends approval of Resolution No. 18-04 authorizing ISRF Program financing not to exceed \$1,200,000 to the Placentia Library District of Orange County for the Library Facility Improvement Measures.

PROJECT DESCRIPTION

The Placentia Library District of Orange County (District) requests Infrastructure State Revolving Fund (ISRF) Program financing in the amount of \$1,200,000 (Financing) to fund the Library Facility Improvement Measures Project (Project). The Project would include the following three components:

1. **Interior Lighting Retrofit (FIM L-1)**
 - a. Removal and recycling of existing lamps
 - b. Construction and install new lighting materials, which includes electrical work

2. **Replace HVAC Equipment and Controls (FIM H-1)**
 - a. Removal and disposal of existing units
 - b. Construction which includes, structural, mechanical, and electrical work
 - c. Engineering
 - d. New Equipment
 - e. Functional performance testing of new equipment

3. **Solar Photovoltaic (PV) System (FIM S-1)**
 - a. Solar PV to include, structural foundations, framing, racking, PV modules, inverters, lighting, electrical balance of new system, cutting, trenching, and backfill
 - b. Utility coordination
 - c. Engineering
 - d. Removal and disposal of existing 800 Amp panel and installation of new 800 Amp panel
 - e. Data Acquisition System web based - revenue grade metering monitoring system, and current transducers
 - f. Functional performance testing of new equipment

Useful Life of Improvements

The Financing term of 25 years would be in accordance with IBank standards based upon a weighted average of the above FIMs. The following table indicates the various Asset Types, the Average Useful Life of the Asset, as well as the proposed use of funds by both the applicant and IBank. The FIM L-1 Interior Lighting is not influencing the Total Weighted Average Useful Life of Assets; staff has included it on the table, as it is part of the Project. IBank is paying \$1.2 million towards improvements and the District is paying \$300,000 towards improvements. The energy contract is a flat contract price, not to exceed \$1.5 million for all FIMs, as indicated in the below table:

Weighted Average Useful Life Table							
Asset Type	Average Useful Life of Asset (in Years)	IBank	District	Total Project Costs	Estimated Cost of Weighted Components	% of Total Cost	Total Weighted Average Useful Life of Assets (in Years)
FIM L-1 Interior Lighting	15	\$0	\$150,000	\$150,000	\$0	0%	26.25
FIM H-1 Replace HVAC Equipment and Controls	20	\$450,000	\$150,000	\$600,000	\$450,000	38%	
FIM S-1 Solar Photovoltaic (PV) System	30	\$750,000	\$0	\$750,000	\$750,000	63%	
Total		\$1,200,000	\$300,000	\$1,500,000	\$1,200,000	100.00%	

The Library has entered into a contract with Johnson Controls under Government Code (GC) 4217.10, et al., Energy Conservation Contracts. The financing request is \$1.2M, below the \$2M threshold, and per IBank's Criteria, the District does not need to use the Department of Industrial Relations model pre-qualification questionnaire.

Project Benefits

Below is an overview of the project benefits.

- The Project will decrease energy consumption and reduce greenhouse gas (GHG) pollution, improving the quality of life for area residents.
- Lighting Retrofit will maximize energy savings, while meeting or exceeding existing light levels.
- Replacement of the HVAC Equipment and Controls will generate electricity savings and natural gas savings through improved equipment operation and control.
- Solar PV System will generate electricity, through the conversion of solar energy, therefore reducing the District's reliance of electricity through its local utility, which also reduces GHG emissions.

Public Benefits

The District anticipates energy savings to reach 365,000-kilowatt hours per year, resulting in lower energy consumption. This savings will free up money for other services that benefit the public. The breakdown of the savings includes the following:

- The District anticipates the completed Project would produce an overall utility cost savings of approximately \$2.6 million dollars over the next thirty years.
- The District anticipates HVAC operations and maintenance savings of approximately \$490,000 over the next thirty years.

The District indicates that nine (9) full-time equivalent (FTE) jobs will be retained as the result of this Project. The District bases its conclusion on its research conducted through the U.S. Department of Energy. The FTE cost conclusion is equal to, or less than, the estimated annual energy cost savings. The savings from lower energy cost is anticipated to be diverted to employee cost. This estimate does not include the temporary job creation that will occur during the construction of the improvements.

PLACENTIA LIBRARY DISTRICT INFORMATION

The District is located within Orange County (County), the third-most populous county in California with over 3 million residents. The District is an Independent Special District established in 1919, and is governed by a five member elected Board of Trustees. The Board promulgates policies and regulations for the District as well as establishing the budget for setting tax rates.

The library offers the traditional services of lending books and other media; as well as providing passport services, in-house access to the internet, and online access to digital media. The library has a growing list of products available for check out such as drones and guitars. The Library is open to the public seven days a week, offering a multitude of services for all ages and demographics as indicated in the below diagram.

Types of Services Offered to the Public						
Adult Services	Reference	Volunteer	History Room	Literacy	Computer Workshops	Book Discussions
Children's Services	Storytime	Pocket Tales	Teen Services	Homework Club	Read to the Dogs	F.I.R.S.T
Technology Dept.	E-Resources	Passport Services	Meeting Room Rental	Proctoring Services	Social Media	Public Equipment

The District's library is located within the City of Placentia (City) Civic Center that also includes the City's Police Department and City Hall.

The City has a population of approximately 52,228 as of 2016. The demographics for the area indicate a diversified population; 25.3% of residents are foreign born and 38.9% of households speak a language other than English in the home. As indicated above, the District has multiple services to meet the public's needs with a mission to provide lifelong learning and reading opportunities to inspire, open minds, and bring the community together.

The top ten employers for the region are listed in the below table. Staff focused the demographics for employers in closest proximity to the City, as the local residents are more likely to access the services of the Library, as in comparison to the residents who reside farther away, such as greater than 30 miles.

Top Ten Employers in Orange County - Closest to District Location			
Employer	Location	No. of Employees	Distance from Library
Kaiser Permanente	Anaheim	1000+ Employees	2.1 miles
California State-Fullerton	Fullerton	1000+ Employees	3.2 miles
Jones Lang La Salle	Brea	1000+ Employees	3.7 miles
Walt Disney Parks & Resorts	Anaheim	10,000+ Employees	7.5 miles
Raytheon Company	Fullerton	5000+ Employees	5.9 miles
State of California	Anaheim	1000+ Employees	6.5 miles
Disneyland	Anaheim	10,000+ Employees	7.4 miles
St Joseph Hospital	Orange	1000+ Employees	8 miles
CHOC Children's Hospital	Orange	1000+ Employees	10.5 miles
Laguna Woods Village Cmnty. Ctr.	Laguna Woods	1000+ Employees	24 miles

Source: State of California Employment Development Department, Major Employers in Orange County

Since Property Taxes are a primary source of revenue for the District, it is important to measure the likelihood of this revenue stream continuing uninterrupted. Based on this list of major employers in the immediate vicinity of the Library, IBank deems the Property Taxes revenue reasonably dependable in the foreseeable future.

CREDIT ANALYSIS

Source of Financing Repayment

Source of Revenue to Repay Proposed ISRF Program Financing:	General Fund
Outstanding General Fund Bond and Lease Obligations:	None
Type of Audited Financial Documents Reviewed:	<input type="checkbox"/> Comprehensive Annual Financial Reports (CAFR) <input checked="" type="checkbox"/> Basic Financial Statements (F/S) <input type="checkbox"/> Other: _____
Fiscal Year Ends:	June 30
Audit Fiscal Years Reviewed:	2012-2016
The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the District, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No. [If no, explain]
Adopted Budget(s) Reviewed:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No. [If no, explain]
Budget Year(s) Reviewed:	2017-2019

Comparative Fund Balance Sheet Analysis

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY										
GENERAL FUND										
STATEMENT OF NET POSITION										
For Fiscal Year Ending (FYE) June30	2012		2013		2014		2015		2016	
Source:	Financial Stmts.	% ⁽¹⁾	Financial Stmts.	% ⁽¹⁾	Financial Stmts.	% ⁽¹⁾	Financial Stmts.	% ⁽¹⁾	Financial Stmts.	% ⁽¹⁾
Assets										
Cash and Investments	\$2,584,853	70.7%	\$2,927,847	72.1%	\$3,134,184	74.4%	\$3,290,425	74.8%	\$3,656,835	77.4%
Grant Receivables			100,000	2.5%						
Taxes Receivable	43,262	1.2%	36,877	0.9%	33,877	0.8%	32,866	0.7%	30,510	0.6%
Other Receivable					2,772	0.1%				
Interest Receivable	1,762	0.0%					915	0.0%	1,701	0.0%
Capital Assets, Nondepreciable	81,498	2.2%	131,485	3.2%	81,498	1.9%	81,498	1.9%	81,498	1.7%
Capital Assets, Net of Accumulated Depreciation	946,766	25.9%	863,453	21.3%	962,105	22.8%	992,858	22.6%	955,942	20.2%
Total Assets	\$3,658,141	100.0%	\$4,059,662	100.0%	\$4,214,436	100.0%	\$4,398,562	100.0%	\$4,726,486	100.0%
Liabilities and Fund Balances										
Accounts Payable	11,353	0.3%	35,035	0.9%	22,049	0.5%	21,206	0.5%	45,052	1.0%
Accrued Salaries	44,153	1.2%	43,191	1.1%	52,154	1.2%	54,824	1.2%	22,718	0.5%
Interest Receivable	237	0.0%	65	0.0%						
Noncurrent Liabilities										
Due within One Year (Capital Lease)	26,917	0.7%	13,876	0.3%						
Due within One Year (Compensated Absences)	22,787	0.6%	19,219	0.5%	19,014	0.5%	20,995	0.5%	27,835	0.6%
Due in More than One Year (Capital Lease)	13,876	0.4%								
Due in More than One Year (Compensated Absences)	30,207	0.8%	25,477	0.6%	25,199	0.6%	27,066	0.6%	36,898	0.8%
Total Liabilities	\$149,530	4.1%	\$136,863	3.4%	\$118,416	2.8%	\$124,091	2.8%	\$132,503	2.8%
Net Position										
Reserved for:										
Net Investment in Capital Assets	987,471	27.0%	981,062	24.2%	1,043,603	24.8%	1,074,356	24.4%	1,037,440	21.9%
Restricted	374,416	10.2%	424,432	10.5%	406,626	9.6%	459,610	10.4%	578,837	12.2%
Unrestricted	2,146,721	58.7%	2,517,305	62.0%	2,645,791	62.8%	2,740,505	62.3%	2,977,706	63.0%
Total Net Position	\$3,508,608	95.9%	\$3,922,799	96.6%	\$4,096,020	97.2%	\$4,274,471	97.2%	\$4,593,983	97.2%
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$3,658,138	100.0%	\$4,059,662	100.0%	\$4,214,436	100.0%	\$4,398,562	100.0%	\$4,726,486	100.0%

⁽¹⁾ Calculated as a percent of Total Assets.

Total Assets indicate an increase of 29.2% from Fiscal Year (FY) 2012 – 2016. The major contributor to the increase is from Cash and Investments which had a 41.5% increase from \$2,584,853 in FY 2012 to \$3,656,835 in FY 2016. The Assets for this line item are held in the Districts Saving Account and the Cash held by the County's Treasurer on behalf of the District. Taxes Receivable is the only item to decrease over the five year period, which is attributed to reporting as soon as the underlying event occurred, regardless of the timing of the related cash flow.

Total Liabilities had an 11.4% decrease from \$149,530 in FY 2012 to \$132,503 in FY 2016, with fluctuations during the five year period. The overall year-to-year decrease is attributed to the Capital Lease(s) being retired in FY 2012 and FY 2013 for equipment.

In addition, there was a 48.5% decrease in Accrued Salaries from \$44,153 in FY 2012 to \$22,718 in FY 2016 due to open positions. Accrued Salaries decreased while the open positions remained vacant. These vacant positions did not accrue any Capital Absences amounts. All of the vacant positions have been filled.

Total Net Position improved by 29.2% from \$3,508,608 in FY 2012 to \$4,593,983 in FY 2016. This increase is primarily attributed to savings in salaries, benefits, and communication expenses. In addition, the District has paid off the capital lease long-term liabilities for equipment.

Comparative State of Revenues, Expenditures, and Changes in Fund Balance Analysis

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY GENERAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUND											
	For Fiscal Year Ending (FYE) June30	2012	% ⁽¹⁾	2013	% ⁽¹⁾	2014	% ⁽¹⁾	2015	% ⁽¹⁾	2016	% ⁽¹⁾
	Source:	Financial Stmts.		Financial Stmts.		Financial Stmts.		Financial Stmts.		Financial Stmts.	
	% Change Year-over-Year in Total Revenues		N/A		1.06%		1.43%		5.25%		8.79%
Revenues											
	Property Taxes	\$1,835,047	79.7%	\$2,042,032	87.8%	\$1,959,157	83.0%	\$2,100,845	84.3%	\$2,242,678	82.1%
	Other State Funds	53,019	2.3%								
	Grants and Other Contributions			106,627	4.6%	159,897	6.8%	85,474	3.4%	91,691	3.4%
	Library Income	155,054	6.7%	170,945	7.3%	202,206	8.6%	242,244	9.7%	258,699	9.5%
	Impact Fees	250,402	10.9%			32,194	1.4%	52,984	2.1%	119,227	4.4%
	Interest Income	8,461	0.4%	7,043	0.3%	7,066	0.3%	9,785	0.4%	15,982	0.6%
	Other									3,228	0.1%
	Total Revenues	\$2,301,983	100.0%	\$2,326,647	100.0%	\$2,360,520	100.0%	\$2,491,332	100.0%	\$2,731,505	100.0%
Expenditures											
Current:											
	Salaries and Employee Benefits	1,240,199	53.9%	1,227,510	52.8%	1,307,657	55.4%	1,372,932	55.1%	1,409,324	51.6%
	Office and Administration	142,136	6.2%	156,468	6.7%	179,853	7.6%	203,208	8.2%	238,607	8.7%
	Books and Library Materials	207,327	9.0%	215,865	9.3%	214,412	9.1%	224,173	9.0%	236,880	8.7%
	Professional Services	100,635	4.4%	158,953	6.8%	171,979	7.3%	205,508	8.2%	242,002	8.9%
	Maintenance	48,579	2.1%	60,598	2.6%	97,050	4.1%	122,039	4.9%	125,108	4.6%
	Library Program	39,728	1.7%	41,124	1.8%	28,516	1.2%	80,086	3.2%	61,282	2.2%
	Miscellaneous	15,110	0.7%	12,798	0.6%	3,720	0.2%	17,548	0.7%	5,021	0.2%
	Capital Outlay	59,248	2.6%	63,025	2.7%	183,111	7.8%	114,292	4.6%	40,181	1.5%
Debt Service											
	Principal	25,841	1.1%	26,917	1.2%	13,876	0.6%				
	Interest	2,338	0.1%	1,262	0.1%	214	0.0%				
	Total Expenditures	\$1,881,141	81.7%	\$1,964,520	84.4%	\$2,200,388	93.2%	\$2,339,786	93.9%	\$2,358,405	86.3%
	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$420,842	18.3%	\$362,127	15.6%	\$160,132	6.8%	\$151,546	6.1%	\$373,100	13.7%
	Net Change in Fund Balance	\$420,842		\$362,127		\$160,132		\$151,546		\$373,100	
	Fund Balance, Beginning of Year	2,153,529		\$2,574,371		\$2,936,498		\$3,096,630		\$3,248,176	
	Fund Balance, End of Year	\$2,574,371		\$2,936,498		\$3,096,630		\$3,248,176		\$3,621,276	

⁽¹⁾ Calculated as a percent of Total Revenues

Analysis of the Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance reflect seven revenue sources. Total Revenues increased 18.7% from \$2,301,983 in FY 2012 to \$2,731,505 in FY 2016. The Districts largest revenue source is Property Taxes, which increased by 22.2%, coinciding with the recovery of the real estate market and increase in property values.

Total Expenditures increased by 25.4% from \$1,881,141 in FY 2012 to \$2,358,405 in FY 2016. The three greatest contributors were as follows:

- Office and Administration increased by 67.9% from \$142,136 in FY 2012 to \$238,607 in FY 2016, due to Salaries and Employee Benefits and Library Programs, including the Adult, Teen and Children’s Programs.
- Professional Services increased by 140.5% from \$100,625 in FY 2012 to \$242,002 in FY 2016, due to unanticipated increase in County fees for accounting services. Additionally, there were also increases for the District’s consulting services.
- Maintenance increased by 157.5% from \$48,579 in FY 2012 to \$125,108 in FY 2016, due to the addition of a full-time maintenance staff on site.

Debt Service that occurred in FYs 2012 – 2014 for capital leases of equipment is now retired.

Total Expenditures ranged from 81.7% to 93.2% of Total Revenue in the five years reviewed. The largest expenditures, as a percent of Total Revenue, were Salaries and Employee Benefits with a high of 55.4% of Total Revenue in FY 2014. The factors relating to the increase for Salaries and Employee Benefits are attributed to increases for employee health benefits and salary cost of living adjustments.

The Net Change in Fund Balance was positive in each of the five years reviewed with fluctuations throughout the years. The fluctuations from year to year were due primarily to the District using two accounting systems (The County’s accounting system and the District’s accounting system), which resulted in prior year fund balances not rolling forward correctly. The District is in the process of working with the auditors to ensure financial statement accuracy.

Historical Ability to Budget Proposed Payment

Analysis of historical Fund Balance demonstrates the Fund has sufficient capacity to support the requested ISRF Program financing in all five years reviewed.

Lease Payment and Fund Balance Analysis					
	2012	2013	2014	2015	2016
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$420,842	\$362,127	\$160,132	\$151,546	\$373,100
	Adjustments Specific to the Transactions				
- Impact Fees	(\$250,402)	\$0	(\$32,194)	(\$52,984)	(\$119,227)
Total Adjustments	(\$250,402)	\$0	(\$32,194)	(\$52,984)	(\$119,227)
Adjustments to Excess (Deficiency) of Revenues	\$170,440	\$362,127	\$127,938	\$98,562	\$253,873
Proposed ISRF Lease Payment ¹	\$66,825	\$66,825	\$66,825	\$66,825	\$66,825
Other MADs General Fund Obligations	\$28,179	\$28,179	\$14,090	\$0	\$0
Revised Net Change in Funds Balance with ISRF Lease Payment	\$75,436	\$267,123	\$47,023	\$31,737	\$187,048

¹ Calculated at \$1,200,000 at 3.30% interest rate for 25 years

The District is primarily funded by property tax revenue, with additional support coming from grants and other various fees such as Library Income. Grant revenue, as part of Grants and Other Contributions, typically would be removed from the cash flow; however; this decision was counter balanced with

Capital Outlay expenditures specifically associated with the non-operating grant revenues. The Capital Outlay occurred only because of these grants, resulting in a net zero adjustment. The only adjustment made was to remove the Impact Fees, as this revenue source is inconsistent, relating to new development, and is deemed unreliable.

Estimated annual energy savings dollars, as a result of the Project, range from \$13,774 to \$93,464 through a 30 year term, or an average of \$54,267 annually, according to contractor, Johnson Controls. These estimated savings were not included in the above Fund Balance Analysis.

There are no other current obligations of the Fund, since the last debt obligation matured in FY 2014.

Budget

The District adopts an annual appropriated budget for its General Fund. The table below illustrates that actual revenues exceeded the District’s expectations in all five years.

Revenues Budget				
Year	Original	Final	Actual	Difference between Final and Actual
2012	\$1,972,447	\$1,972,447	\$2,301,983	\$329,536
2013	\$2,024,494	\$2,024,494	\$2,326,647	\$302,153
2014	\$2,092,414	\$2,092,414	\$2,360,520	\$268,106
2015	\$2,174,102	\$2,436,922	\$2,491,332	\$54,410
2016	\$2,422,834	\$2,422,834	\$2,731,505	\$308,671

The table below indicates the District controls spending by deferring many capital spending decisions towards the end of the fiscal year. This ensures the District is fully informed and has met other immediate obligations prior to proceeding with projects.

Expenses Budget				
Year	Original	Final	Actual	Difference between Final and Actual
2012	\$2,082,447	\$2,082,447	\$1,881,141	\$201,306
2013	\$2,094,494	\$2,094,494	\$1,964,520	\$129,974
2014	\$2,132,414	\$2,132,414	\$2,200,388	(\$67,974)
2015	\$2,174,102	\$2,436,422	\$2,339,786	\$96,636
2016	\$2,492,834	\$2,492,834	\$2,358,405	\$134,429

In four out of five years, Actual Expenses were less than Final Expenses, with the exception of FY 2014 resulting in (\$67,974). This anomaly is due to books and other library materials exceeding planned costs. This additional expense was offset with excess revenues of \$268,106 in the same FY. The District’s budget process demonstrates a well thought-out annual control and an advance planning process.

Pension Plan

The District’s employees participate in a defined benefit contribution plan administered by Public Agency Retirement Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The contributions and any interest earned vest in increasing amounts per year of service, culminating at 100% vesting for five years of service.

For the year ended June 30, 2016, the District contributed \$41,887 (pension expense), based on covered salaries of \$977,376 for the covered period. There were 36 covered employees during the year. The District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016, and at that time, the assets of the plan totaled \$865,170.

Analysis of the Proposed Leased Asset

The District proposes to finance the Library under a lease/lease-back financing agreement. The tax-assessed value of the improvements is \$2,497,070 for the Library building as of August 4, 2017. This valuation method is deemed appropriate and acceptable to IBank.

The District proposes the subject of the lease to be the unencumbered portion of an asset identified as A Portion of the Placentia Library (Leased Asset) located at 411 E. Chapman Ave. Placentia, CA 92870. The table below shows the Value-to-Lease ratio of the Leased Asset.

The Library building is approximately 22,800 square feet (SF), and houses both the District’s executive offices and common areas accessible to the public. The Leased Asset is that portion approximately (62%) of the Library described as all common areas. The District states the useful and economic life of the Library building is greater than 50 years. The table below reflects 62% of the tax assessor’s value and 62% of the SF. This Library is an acceptable asset due to the current condition and is an essential asset to the District and the public.

Valuation of Leased Asset for Placentia Library District of Orange County				
Name of Asset	Year Built	Approximate Leased Area (square feet)	Type of Construction	Estimate of Value
Placentia Library ¹ Common Areas Only	1973	14,136	Stucco / Brick	\$1,548,183
Leased Amount				\$1,548,183
Loan Amount				\$1,200,000
Value-to-loan				129%

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 title reflects standard encumbrances for property taxes, supplemental taxes, water rights, and easements for utility purposes. All exceptions are customary, reasonable, and acceptable to IBank.

Staff completed a rental analysis for commercial properties in the region and found the average contract lease price per SF is \$1.05 per month. IBank adjusted the price per SF downward for the special use of the building, the high maintenance cost, and the actual age of the library. Based on these adjustments IBank has identified the economic rental value as \$67,853 per year.

Risk Assessment

Primary risks of the proposed ISRF Program financing are as follows:

1. The security is a leasehold interest on Leased Assets and not a lien on the General 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 ISRF Program financing, acceleration in the event of default by the Borrower is prohibited. Thus, in the event of payment default, IBank must annually pursue a remedy of compelling past due lease payments.

Mitigation Factors

1. The Borrower will covenant against permitting additional encumbrances against the Leased Asset.
2. The Borrower will covenant to annually budget and appropriate lease payments.
3. Lease payments from the General Fund provide a broad source of funds and greater flexibility to the Borrower to meet the required Lease obligations.
4. The Borrower will covenant to procure rental interruption insurance for each of 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.

Compliance with IBank Criteria, Priorities, and Guidelines

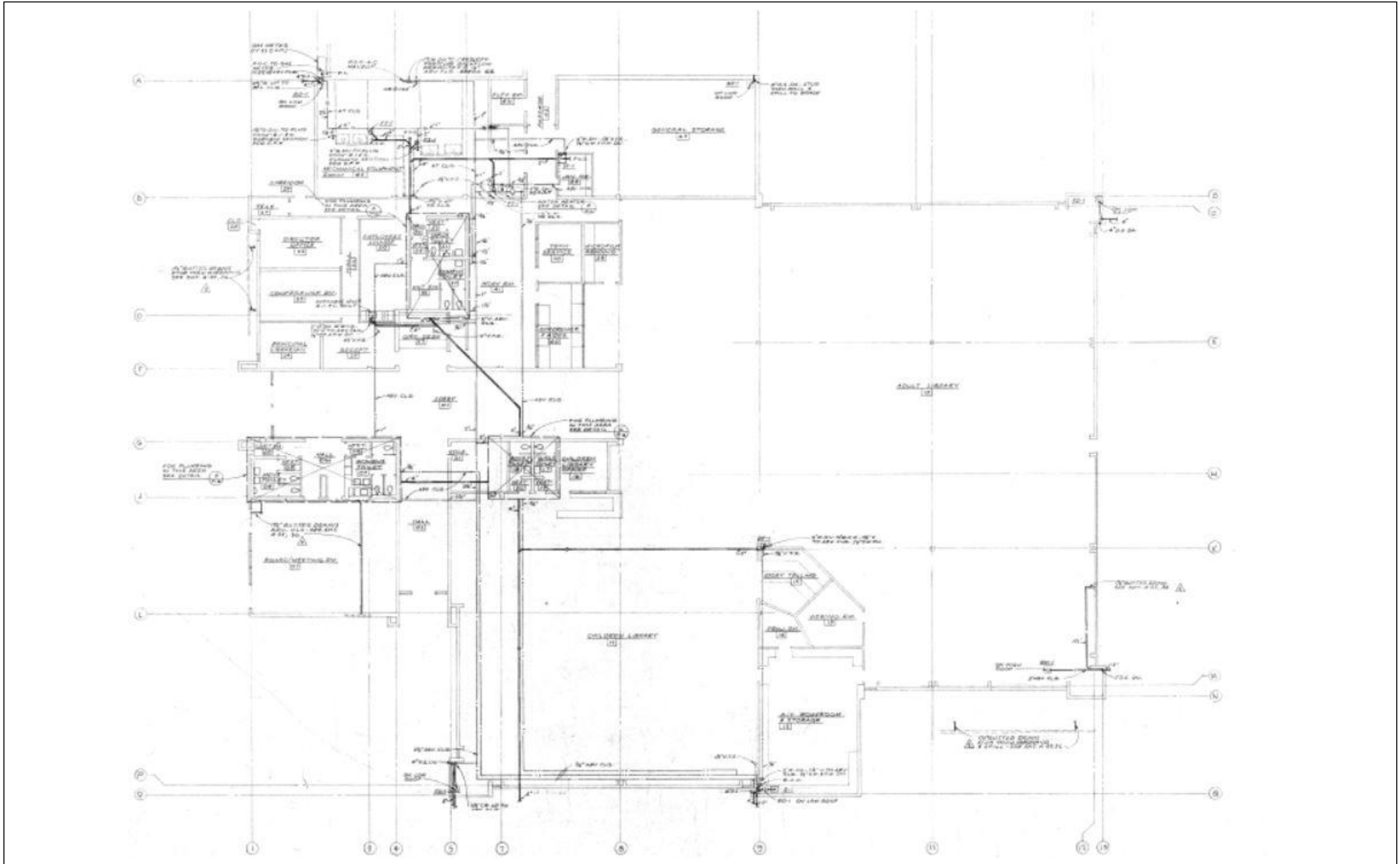
The application and the proposed financing are in accordance with the IBank Criteria, Priorities and Guidelines (ISRF Criteria). There are no requested exceptions to the ISRF Criteria.

STAFF RECOMMENDATION

Staff recommends approval of Resolution No. 18-04 authorizing ISRF Program financing to the Placentia Library District of Orange County (District) for the Project as follows:

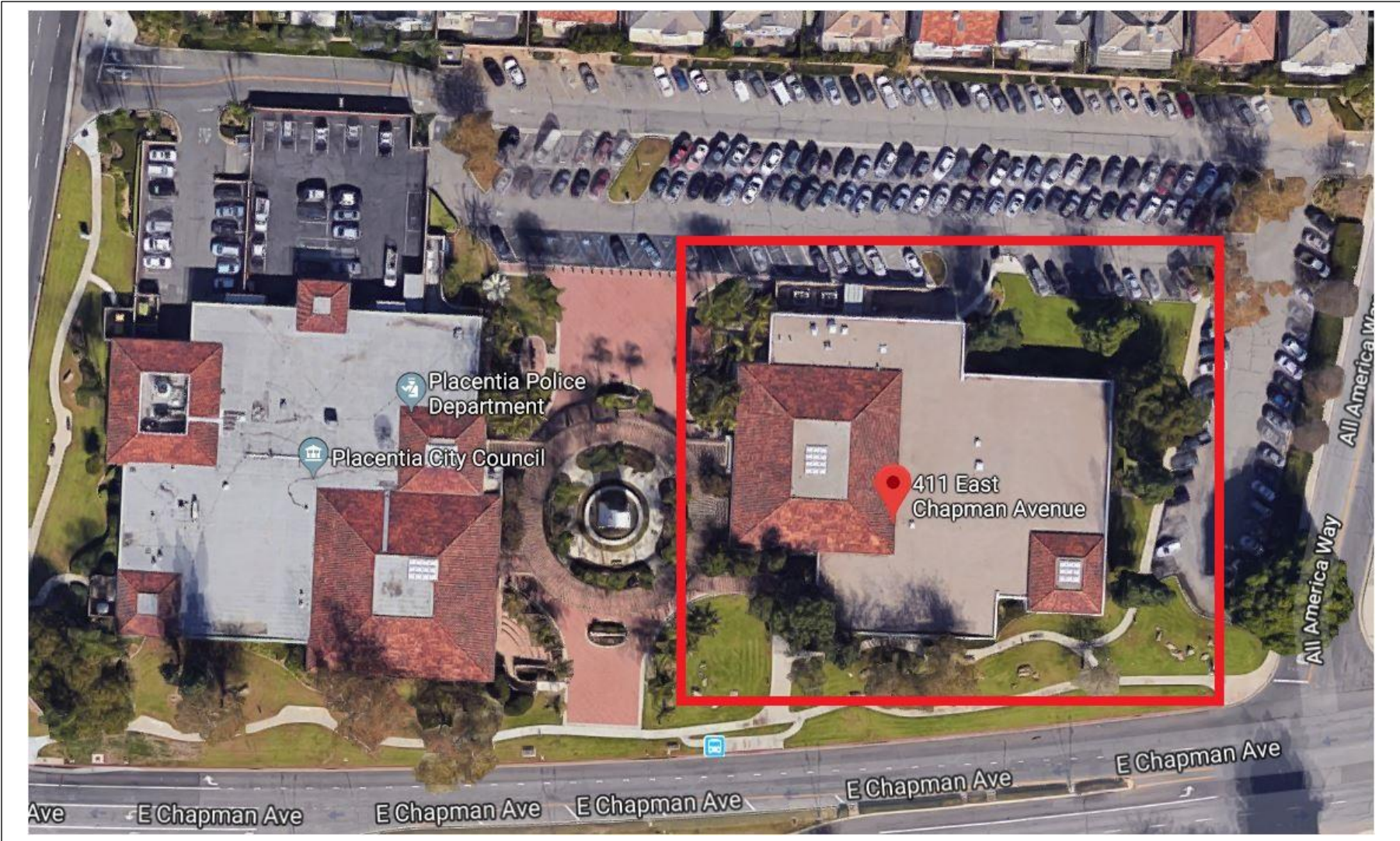
1. **Application/Borrower:** Placentia Library District of Orange County
2. **Project:** Library Facility Improvement Measures Project (Project)
3. **Amount of ISRF Program financing:** \$1,200,000
4. **Maturity:** Not to exceed 25 years
5. **Repayment/Security:** General Fund Lease provides IBank with a leasehold interest on A Portion of the Placentia Library (Leased Asset).
6. **Interest Rate:** 3.30%
7. **Fees:** District to pay the origination fee of 1.00%, \$12,000, upon loan closing, and an annual fee of 0.30% of the outstanding balance.
8. **Not an Unconditional Commitment:** The 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, in form and substance satisfactory to IBank and its counsel.
9. **Limited Time:** The Board's approval expires 60 days from the date of its adoption. Thus, the District and IBank must enter into the ISRF Program financing agreement no later than 60 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 includes without limitation, the following additional conditions and covenants:
 - a. Comply with all applicable requirements of ISRF Program Criteria, as well as all applicable laws, regulations and permitting requirements associated with public works projects.
 - b. Enter into a fixed-price construction contract; obtain payment and performance bonds, each in the amount of the fixed priced construction contract for the Project set aside construction contingency funds equal to 5% of the Financing amount; and obtain builder's risk, property, liability, and worker's compensation insurance.
 - c. Budget and appropriate funds sufficient to make annual Lease payments.
 - d. Procure and maintain rental interruption insurance for a period of at least six months beyond the time needed to reconstruct the Leased Asset.
 - e. Procure an ALTA title insurance policy.
 - f. Not encumber further the Leased Asset.
 - g. 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.
 - h. District to provide IBank with satisfactory evidence that it has obtained commercially reasonable equipment and labor warranties and those installers demonstrate the ability to fulfill warranty obligations.

Exhibit 1 – LIBRARY FLOOR PLAN



Source: Placentia Library District

Exhibit 2 – PROPERTY LOCATION



Source: Google Maps

Exhibit 3 – Property View



Source: Google



Source: Google



Source: Google