

FORM APPROVED COUNTY COUNSEL  
 BY: GREGORY P. PRIAMOS  
 DATE: 8/24/15

Departmental Concurrence

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
 COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

944



**FROM:** Executive Office

**SUBMITTAL DATE:**  
 August 24, 2015

**SUBJECT:** Adoption of Resolution No. 2015-204 Approving Issuance of Blythe Successor Agency Series 2015 Tax Allocation Refunding Bonds 4<sup>th</sup>/4<sup>th</sup> District [\$0] (Vote on Separately)

**RECOMMENDED MOTION:** That the Board of Supervisors adopt Resolution No. 2015-204 approving the issuance of \$15,980,000 in Series 2015 refunding bonds by the Successor Agency to the Blythe Redevelopment Agency.

**BACKGROUND:** On July 11, 2002, the Blythe Redevelopment Agency amended its Project No. 1 plan, adding 347 acres of noncontiguous land in two sub-areas, one being 271 acres in the unincorporated county near the Blythe Airport. Consistent with provisions of the Community Redevelopment Law effective at that time, on February 26, 2002, the Board of Supervisors had approved an interjurisdictional agreement granting the Blythe Redevelopment Agency with redevelopment authority over that sub-area, subject to Board approval of the issuance of bonds related to the project. Upon dissolution of redevelopment, the Blythe Successor Agency succeeded the Blythe Redevelopment Agency with respect to this interjurisdictional agreement. At this time, the Blythe Successor Agency wishes to refinance outstanding 2004 and 2005A tax allocation bonds to reduce debt service costs by an estimated \$1.37 million, the savings from which will be distributed among the taxing entities receiving property tax derived from the project area, including the County of Riverside.

(Continued)

Denise C. Harden  
 Denise C. Harden  
 Principal Management Analyst

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ NA	\$ NA	\$ NA	\$ NA	Consent <input type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ NA	\$ NA	\$ NA	\$ NA	

<b>SOURCE OF FUNDS:</b> NA	<b>Budget Adjustment:</b> NO
	<b>For Fiscal Year:</b> NA

**C.E.O. RECOMMENDATION:**  
 APPROVE  
 BY: Ivan M. Chand  
 County Executive Office Signature Ivan M. Chand 8/24/2015

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Benoit, seconded by Supervisor Washington and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley  
 Nays: None  
 Absent: None  
 Date: September 1, 2015  
 xc: E.O.

Keqia Harper-Ihem  
 Clerk of the Board  
 By: Keqia Harper-Ihem  
 Deputy

3-4

Prev. Agn. Ref.: 01/29/02 3.49 02/26/02 #2.5; 07/29/02 #3.12; 01/07/2003 #3.1	District:	Agenda Number:
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- A-30
- 4/5 Vote
- Positions Added
- Change Order

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
FORM 11: Approval of Issuance of 2015 Blythe Successor Agency Tax Allocation Refunding Bonds**

**DATE: August 24, 2015**

**PAGE: 2 of 2**

**BACKGROUND:**

**Summary (continued)**

The Dissolution Act permits the issuance of bonds for limited purposes, including refunding existing bonds to reduce debt service and provide savings to the successor agency. Under the Dissolution Act, any tax revenues derived from the Blythe Project Area which exceed, on a semi-annual basis, amounts needed for tax sharing payments to taxing entities, enforceable obligations of the Blythe Successor Agency, and the administrative allowance of the Blythe Successor Agency are distributed to taxing entities in the Blythe Project Area (e.g., Riverside County, school and college districts, other special districts, and the City of Blythe).

In 2004, the Blythe Redevelopment Agency issued \$17,500,000 in tax allocation bonds (the "2004 Bonds") to finance certain capital improvement projects comprising redevelopment activities under the Community Redevelopment Law. In 2005, the Blythe Redevelopment Agency issued \$1,790,000 in tax allocation bonds (the "2005A Bonds") to refinance its Tax Allocation Refunding Bonds, Series 1995A. The average interest rate on the remaining outstanding 2004 Bonds and the 2005A Bonds is higher than current market interest rates for comparable securities. Therefore, to achieve debt service savings, the Blythe Successor Agency desires to issue tax allocation refunding bonds (the "2015 Bonds") to refinance and defease the 2004 and 2005A bonds.

Approval of the attached resolution will enable the Blythe Successor Agency to refinance outstanding 2004 and 2005A tax allocation refunding bonds. The Blythe Successor Agency expects debt service savings achieved from the 2015 Bonds will be distributed to various taxing entities with jurisdiction over territory in Redevelopment Project No. 1 of the Blythe Redevelopment Agency (the "Blythe Project Area"). Based on current market conditions, the present value of debt service savings (net of costs associated with bond issuance) with respect to the 2004 Bonds is estimated to be in excess of \$1,325,000, or more than 9 percent; and with respect to the 2005A Bonds is estimated to be in excess of \$47,500, or more than 5 percent.

A significant portion of the West Blythe Added Territory included in the Blythe Project Area is located in the unincorporated area of the County. Pursuant to an Interjurisdictional Agreement dated February 26, 2002, approval by the County Board of Supervisors is required for issuance of any bonded indebtedness secured by tax increment revenues allocated to the Blythe Redevelopment Agency pursuant to the former Community Redevelopment Law. As with the 2004 and 2005A Bonds being refinanced, the 2015 Bonds will be payable from and secured by a pledge of and lien upon net tax increment revenue derived from the Blythe Project Area on a parity basis with ten other outstanding series of bonds previously issued by the Blythe Redevelopment Agency. (Refinancing those outstanding series is not expected to achieve savings at this time.)

The Blythe Successor Agency approved issuance of the 2015 Bonds on June 9, 2015, and its Oversight Board approved issuance of the 2015 Bonds on June 10, 2015. On August 21, 2015, the California Department of Finance ("DOF") provided a letter to the Blythe Successor Agency approving the Blythe Oversight Board resolution approving the issuance of the 2015 Bonds.

**Impact on Citizens and Businesses**

This bond refunding will lower debt service costs paid for by property taxes allocated to the Blythe Successor Agency, thus increasing revenue available to other taxing entities such as the County of Riverside.

**ATTACHMENTS:**

- Attachment A: Resolution No. 2015-204 of the County of Riverside
- Attachment B: Resolution No. SA 2015-002 of the Successor Agency to the Blythe Redevelopment Agency dated June 9, 2015
- Attachment C: Resolution No. OB 2015-002 of the Oversight Board to the Successor Agency to the Blythe Redevelopment Agency dated June 10, 2015
- Attachment D: Letter from the Department of Finance dated August 21, 2015
- Attachment E: Preliminary Official Statement Dated September 2, 2015

2  
3 RESOLUTION NO. 2015-204

4  
5 A RESOLUTION OF  
6 THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE  
7 APPROVING THE ISSUANCE OF REFUNDING BONDS BY  
8 THE SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY  
9

10 WHEREAS, the City of Blythe, the Blythe Redevelopment Agency, as succeeded by the  
11 Successor Agency to the Blythe Redevelopment Agency (the "Blythe Successor Agency"), and the County of  
12 Riverside are parties to that certain Interjurisdictional Agreement regarding West Blythe Added Territory  
13 executed as of February 26, 2002 (the "Agreement").

14 WHEREAS, under Section 3.5 of the Agreement, the issuance of any bonded indebtedness  
15 secured by Project Revenues (as defined in the Agreement) derived from the County Area (as defined in the  
16 Agreement) within Redevelopment Project No. 1 in the City of Blythe (the "Redevelopment Project") requires  
17 the approval of the County Board of Supervisors.

18 WHEREAS, the Blythe Redevelopment Agency has previously issued its Redevelopment  
19 Project No. 1, Tax Allocation Bonds, Series 2004 (the "2004 Bonds"), and its Redevelopment Project No. 1,  
20 Tax Allocation Refunding Bonds, Series 2005A (the "2005A Bonds").

21 WHEREAS, Section 34177.5 of the California Health and Safety Code specifically authorizes  
22 the issuance of refunding bonds by the Blythe Successor Agency to refund outstanding bonds for the purpose  
23 of reducing debt service and providing savings to the Blythe Successor Agency, provided that (A) the total  
24 interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds shall not  
25 exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of  
26 the bonds to be refunded, and (B) the principal amount of the refunding bonds shall not exceed the amount  
27 required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs  
28 of issuance.

FORM APPROVED COUNTY COUNSEL  
BY: *[Signature]* DATE: 8/28/15  
DALE A. GARDNER

1 WHEREAS, to refund the 2004 Bonds and the 2005A Bonds, or such portion thereof as the  
2 Successor Agency may determine in its discretion in consultation with its financial advisor (collectively, the  
3 "Refunded Bonds"), for the purpose of reducing debt service and providing savings to the Blythe Successor  
4 Agency, the Blythe Successor Agency proposes to issue bonded indebtedness in the approximate principal  
5 amount of Fifteen Million Nine Hundred Eighty Thousand Dollars (\$15,980,000) secured by Project Revenues  
6 derived in part from the County Area, to be designated "Successor Agency to the Blythe Redevelopment  
7 Agency, Redevelopment Project No. 1 Tax Allocation Refunding Bonds, Series 2015" (the "2015 Bonds").

8 WHEREAS, on August 21, 2015, the California Department of Finance provided a letter to the  
9 Blythe Successor Agency stating that, based on such department's review and application of the law,  
10 Resolution No. OB 2015-002 of the Oversight Board to the Blythe Successor Agency approving the issuance  
11 of the 2015 Bonds to refund the Refunded Bonds is approved by the California Department of Finance.

12 NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of  
13 Riverside, in regular session assembled on September 1, 2015, that:

14 Section 1. The Board of Supervisors hereby approves the issuance of the 2015 Bonds by  
15 the Blythe Successor Agency, so long as (i) the total interest cost to maturity on the 2015 Bonds plus the  
16 principal amount of the 2015 Bonds will not exceed the total remaining interest cost to maturity on the  
17 Refunded Bonds plus the remaining principal of the Refunded Bonds, (ii) the principal amount of the 2015  
18 Bonds will not exceed the amount required to defease the Refunded Bonds, to establish a customary debt  
19 service reserve fund, and to pay related costs of issuance, and (iii) the net present value savings amount  
20 achieved through defeasing the Refunded Bonds by issuing the 2015 Bonds, expressed as a percentage of the  
21 aggregate principal amount of Refunded Bonds being refunded, will be at least 3.00 percent.


22 Section 2. This resolution shall become effective immediately upon its adoption.

23 APPROVED AND ADOPTED this 1<sup>st</sup> day of September, 2015.

24  
25 ROLL CALL:

26 Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley  
27 Nays: None  
28 Absent: None

The foregoing is certified to be a true copy of a  
resolution duly adopted by said Board of Super-  
visors on the date therein set forth.

KECIA HARPER-HEM Clerk of said Board  
By  Deputy

**RESOLUTION NO. SA 2015-002**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS, AND APPROVING THE FORM OF A SUPPLEMENTAL INDENTURE OF TRUST, OFFICIAL STATEMENT, BOND PURCHASE CONTRACT, CONTINUING DISCLOSURE AGREEMENT, ESCROW AGREEMENTS, AND RELATED DOCUMENTS AND AUTHORIZING CERTAIN RELATED ACTIONS**

**WHEREAS**, the Blythe Redevelopment Agency (the "Prior Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "Health and Safety Code")) (the "Redevelopment Law"), and the powers of the Prior Agency included the power to issue bonds for any of its corporate purposes; and

**WHEREAS**, a Redevelopment Plan for the Redevelopment Project No. 1 in the City of Blythe, California (the "Redevelopment Project") was adopted and approved by Ordinance No. 611-84 adopted by the City Council on November 27, 1984 and was amended by Ordinance No. 657-89 adopted by the City Council on June 27, 1989, Ordinance No. 715-95 adopted by the City Council on July 18, 1995, Ordinance No. 758-99 adopted by the City Council on June 22, 1999, and Ordinance No. 779-02 adopted by the City Council on July 9, 2002, in compliance with all requirements of the Redevelopment Law (as in effect on the respective dates thereof); and

**WHEREAS**, the Prior Agency has previously issued its Redevelopment Project No. 1, Tax Allocation Bonds, Series 2004 (the "2004 Bonds"); and

**WHEREAS**, the Prior Agency has previously issued its Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2005A (the "2005A Bonds"); and

**WHEREAS**, pursuant to Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code (as heretofore amended, the "Dissolution Act"), enacted by AB X1 26 in June 2011, and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Prior Agency was dissolved as of February 1, 2012; and

**WHEREAS**, pursuant to the Dissolution Act, the Successor Agency to the Blythe Redevelopment Agency (the "Successor Agency") was constituted as a separate public entity from the City, and an Oversight Board to the Successor Agency (the "Oversight Board") was established; and

**WHEREAS**, Section 34177.5(a)(1) of the Dissolution Act specifically authorizes the issuance of refunding bonds by the Successor Agency to refund outstanding bonds for the purpose of reducing debt service and providing savings to the Successor Agency; and

WHEREAS, to refund the 2004 Bonds and the 2005A Bonds, or such portion thereof as the Successor Agency may determine in its discretion in consultation with its financial advisor (collectively, the "Refunded Bonds"), for the purpose of reducing debt service and providing savings to the Successor Agency, the Successor Agency wishes at this time to issue bonds in the approximate principal amount of Fifteen Million Nine Hundred Eighty Thousand Dollars (\$15,980,000) (the "2015 Bonds"), secured by a pledge of property tax revenues authorized by Sections 34177.5(a) and (g) of the Health and Safety Code, all pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"); and

WHEREAS, the Successor Agency wishes at this time to approve all matters relating to the issuance and sale of the 2015 Bonds; and

WHEREAS, pursuant to Sections 34177.5(f) and 34180 of the Health and Safety Code, the issuance of the 2015 Bonds is subject to the Oversight Board's approval;

**NOW, THEREFORE, THE SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:**

Section 1. Each of the foregoing recitals is true and correct and is a substantive part of this Resolution.

Section 2. Subject to the provisions of the Supplemental Indenture referred to in Section 3 hereof, the issuance of the 2015 Bonds in the aggregate principal amount of approximately Fifteen Million Nine Hundred Eighty Thousand Dollars (\$15,980,000) on the terms and conditions set forth in, and subject to the limitations specified in, the Supplemental Indenture, is hereby authorized and approved. The 2015 Bonds will be dated, will bear interest at the rates, will mature on the dates, will be issued in the form, will be subject to redemption, and will be as otherwise provided in the Supplemental Indenture, as the same will be completed as provided in this Resolution. The proceeds of the sale of the 2015 Bonds shall be applied as provided in the Supplemental Indenture.

Section 3. The Twelfth Supplemental Indenture in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein (the "Supplemental Indenture"), is hereby approved. Each of the Chair (or in his absence, the Vice Chair) and the Interim Executive Director (each, an "Authorized Officer"), acting singly, is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute and deliver the Supplemental Indenture in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Chair, said execution being conclusive evidence of such approval.

Section 4. The Bond Purchase Contract between the Successor Agency and Stinson Securities, LLC (the "Underwriter") (which has designated its duly licensed representatives at Newcomb Williams Financial Group to assist the Successor Agency in connection with the 2015 Bonds), in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each Authorized Officer, acting singly,

is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute the Bond Purchase Contract in the form presented at this meeting with such changes, insertions and omissions as may be approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval; provided, however, that the Bond Purchase Contract shall be signed only if the terms of the agreement are such that (i) the total interest cost to maturity on the 2015 Bonds plus the principal amount of the 2015 Bonds will not exceed the total remaining interest cost to maturity on the Refunded Bonds plus the remaining principal of the Refunded Bonds, (ii) the principal amount of the 2015 Bonds will not exceed the amount required to defease the Refunded Bonds, to establish a customary debt service reserve fund, and to pay related costs of issuance, and (iii) the net present value savings amount achieved through defeasing the Refunded Bonds by issuing the 2015 Bonds, expressed as a percentage of the aggregate principal amount of Refunded Bonds being refunded, will be at least 3.00%.

Section 5. The Preliminary Official Statement relating to the 2015 Bonds (the "Preliminary Official Statement"), in the form presented and on file with the Secretary, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to cause the Preliminary Official Statement in substantially said form, with such additions or changes therein as such Authorized Officer may approve, to be deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934 ("Rule 15c2-12"). The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the 2015 Bonds in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary by any one of the Authorized Officers to make the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading.

Section 6. The preparation and delivery of an Official Statement, and its use by the Successor Agency and the Underwriter, in connection with the offering and sale of the 2015 Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be requested by Bond Counsel or the Underwriter and approved by any one of the Authorized Officers, such approval to be conclusively evidenced by the execution and delivery thereof by such Authorized Officer. Each Authorized Officer, acting singly, is hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, in the name of and on behalf of the Successor Agency, and thereupon to cause the final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

Section 7. The Continuing Disclosure Agreement in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute and deliver the Continuing Disclosure Agreement in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

Section 8. The Escrow Agreements pertaining to the 2004 Bonds and the 2005A Bonds, respectively, in substantially the form submitted at this meeting and made a part hereof as

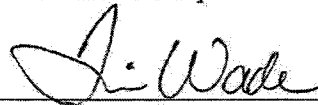
though set forth in full herein, are hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute and deliver the Escrow Agreements, or either of them as applicable, in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

Section 9. U.S. Bank National Association is hereby appointed as Trustee and Dissemination Agent, Richards, Watson & Gershon, A Professional Corporation is hereby appointed as Bond Counsel and Disclosure Counsel, A.M. Miller & Co., Inc. is hereby appointed as Financial Advisor, and Urban Futures, Inc. is hereby appointed as Fiscal Consultant in connection with the issuance of the 2015 Bonds.

Section 10. The Authorized Officers, the Finance Officer of the Successor Agency, the Secretary of the Successor Agency, and all other officers of the Successor Agency are hereby authorized and directed, jointly and severally, to execute and deliver any and all documents and instruments relating to the 2015 Bonds, and to do and cause to be done any and all acts and things which they may deem necessary or proper for carrying out the transactions contemplated by the Supplemental Indenture, the Bond Purchase Contract, the Official Statement, the Continuing Disclosure Agreement, and the Escrow Agreements and to effectuate the purposes of this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed.

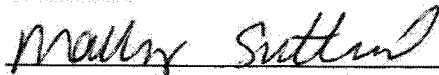
Section 11. This Resolution shall take effect immediately upon its adoption.

IN WITNESS WHEREOF, this Resolution is adopted and approved the 9th day of June, 2015.



\_\_\_\_\_  
Chair of the Successor Agency to the  
Blythe Redevelopment Agency

ATTEST:



\_\_\_\_\_  
Secretary of the Successor Agency to the  
Blythe Redevelopment Agency



**RESOLUTION NO. OB 2015-002**

**RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY APPROVING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS BY THE SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the Blythe Redevelopment Agency (the "Prior Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "Health and Safety Code")) (the "Redevelopment Law"), and the powers of the Prior Agency included the power to issue bonds for any of its corporate purposes; and

**WHEREAS**, a Redevelopment Plan for the Redevelopment Project No. 1 in the City of Blythe, California (the "Redevelopment Project") was adopted and approved by Ordinance No. 611-84 adopted by the City Council on November 27, 1984 and was amended by Ordinance No. 657-89 adopted by the City Council on June 27, 1989, Ordinance No. 715-95 adopted by the City Council on July 18, 1995, Ordinance No. 758-99 adopted by the City Council on June 22, 1999, and Ordinance No. 779-02 adopted by the City Council on July 9, 2002, in compliance with all requirements of the Redevelopment Law (as in effect on the respective dates thereof); and

**WHEREAS**, the Prior Agency has previously issued its Redevelopment Project No. 1, Tax Allocation Bonds, Series 2004 (the "2004 Bonds"); and

**WHEREAS**, the Prior Agency has previously issued its Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2005A (the "2005A Bonds"); and

**WHEREAS**, pursuant to Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code (as heretofore amended, the "Dissolution Act"), enacted by AB X1 26 in June 2011, and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Prior Agency was dissolved as of February 1, 2012; and

**WHEREAS**, pursuant to the Dissolution Act, the Successor Agency to the Blythe Redevelopment Agency (the "Successor Agency") was constituted as a separate public entity from the City, and an Oversight Board to the Successor Agency (the "Oversight Board") was established; and

**WHEREAS**, Section 34177.5(a)(1) of the Dissolution Act specifically authorizes the issuance of refunding bonds by the Successor Agency to refund outstanding bonds for the purpose of reducing debt service and providing savings to the Successor Agency; and

**WHEREAS**, to refund the 2004 Bonds and the 2005A Bonds, or such portion thereof as the Successor Agency may determine in its discretion in consultation with its financial advisor

(collectively, the "Refunded Bonds"), for the purpose of reducing debt service and providing savings to the Successor Agency, the Successor Agency wishes at this time to issue bonds in the approximate principal amount of Fifteen Million Nine Hundred Eighty Thousand Dollars (\$15,980,000) (the "2015 Bonds"), secured by a pledge of property tax revenues authorized by Sections 34177.5(a) and (g) of the Health and Safety Code, all pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"); and

**WHEREAS**, the Successor Agency has previously approved all matters relating to the issuance and sale of the 2015 Bonds, pursuant to a resolution approved and adopted by the Board of Directors of the Successor Agency (the "Successor Agency Resolution"); and

**WHEREAS**, there has been presented to the Oversight Board an analysis of the potential debt service savings to be achieved as a result of the issuance of the 2015 Bonds to refund the Refunded Bonds; and

**WHEREAS**, the Oversight Board desires to approve matters relating to the issuance and sale of the 2015 Bonds as required by Sections 34177.5(f) and 34180 of the Health and Safety Code.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY, AS FOLLOWS:**

1. Each of the foregoing recitals is true and correct and is a substantive part of this Resolution.
2. The issuance by the Successor Agency to the Blythe Redevelopment Agency of the 2015 Bonds in an aggregate principal amount of approximately Fifteen Million Nine Hundred Eighty Thousand Dollars (\$15,980,000) for the purposes set forth in the recitals hereof, and the pledge of property tax revenues to the 2015 Bonds pursuant to the Twelfth Supplemental Indenture approved by Section 3 of the Successor Agency Resolution (as authorized by Sections 34177.5(a) and (g) of the Health and Safety Code), are hereby approved.
3. This Oversight Board hereby directs the Successor Agency to undertake the refunding proceedings for the issuance of the 2015 Bonds pursuant to Section 34177.5(a)(1) of the Health and Safety Code.
4. The Chair and members of this Oversight Board and the other officers and members of staff having responsibility for the affairs of the Successor Agency are hereby authorized, jointly and severally, to execute such documents and certificates necessary to assist the Successor Agency in the issuance of the Bonds and to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution.
5. This Resolution shall become effective in accordance with Sections 34179(h) and 34177.5(f) of the Health and Safety Code.

**PASSED, APPROVED AND ADOPTED** this 10th day of June, 2015.

Mallory Suttner  
Chair of the Oversight Board for the Successor  
Agency to the Blythe Redevelopment Agency

**ATTEST:**

Beverly Long  
Secretary of the Oversight Board for the  
Successor Agency to the Blythe Redevelopment Agency

STATE OF CALIFORNIA            )     SECRETARY'S CERTIFICATE  
COUNTY OF RIVERSIDE        ) ss.  RE ADOPTION OF RESOLUTION  
CITY OF BLYTHE                )

I, Beverly Lang, of the Secretary of the Oversight Board for the Successor Agency to the Blythe Redevelopment Agency, DO HEREBY CERTIFY that the foregoing Resolution was duly adopted by the Oversight Board at a regular meeting of the Oversight Board held on the 10 th day of June, 2015, and that the same was passed and adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Beverly Lang  
Secretary of the Oversight Board for the Successor  
Agency to the Blythe Redevelopment Agency

STATE OF CALIFORNIA            )     SECRETARY'S CERTIFICATE  
COUNTY OF RIVERSIDE        ) ss.  OF AUTHENTICATION  
CITY OF BLYTHE                 )

I, Beverly Lang, Secretary of the Oversight Board for the Successor Agency to the Blythe Redevelopment Agency, DO HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of Resolution No. 2015-002 of the Oversight Board for the Successor Agency to the Blythe Redevelopment Agency and that said Resolution was adopted at the time and by the vote stated on the above certificate, and has not been amended or repealed.

Beverly Lang  
Secretary of the Oversight Board for the Successor  
Agency to the Blythe Redevelopment Agency



August 21, 2015

Ms. Christa Elms, Interim Finance Director  
City of Blythe  
235 North Broadway  
Blythe, CA 92225

Dear Ms. Elms:

Subject: Approval of Oversight Board Action

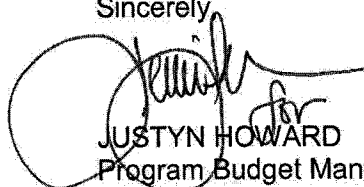
The City of Blythe Successor Agency (Agency) notified the California Department of Finance (Finance) of its June 10, 2015 Oversight Board (OB) resolution on June 23, 2015. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution 2015-002 approving the issuance of tax allocation refunding bonds, is approved.

The Agency anticipates achieving approximately \$2,800,000 savings over the remaining life of the bonds. This approval is based on the understanding that no refunding bonds will be issued unless such bonds meet the limitations in HSC section 34177.5 (a). Following the issuance, the payments for the refunding bonds should be placed on future Recognized Obligation Payment Schedule for Finance's review.

Please direct inquiries to Cindie Lor, Supervisor, or Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 2, 2015

NEW ISSUE – BOOK ENTRY ONLY

NOT RATED

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds. For a more complete discussion of the tax aspects, see "TAX EXEMPTION" herein.

\$15,980,000\*

SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY  
REDEVELOPMENT PROJECT NO. 1  
TAX ALLOCATION REFUNDING BONDS  
SERIES 2015

Dated: Delivery Date

Due: May 1, as shown on inside cover

The above-captioned bonds (the "Bonds") will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. The principal of, premium if any, and semiannual interest (due May 1 and November 1 of each year, commencing [May 1, 2016]) on the Bonds will be payable by U.S. Bank National Association, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds (see "THE BONDS—Book-Entry System" herein).

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity, as described herein.

The Bonds are being issued by the Successor Agency to the Blythe Redevelopment Agency (the "Agency") to refund on a current basis the Blythe Redevelopment Agency's (the "Prior Agency") previously issued \$17,500,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2004 (the "2004 Bonds") currently outstanding in the principal amount of \$14,735,000 and its previously issued \$1,790,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2005A (the "2005A Bonds") currently outstanding in the principal amount of \$945,000. The 2004 Bonds and the 2005A Bonds are collectively referred to herein sometimes as the "Refunded Bonds."

The Bonds are being issued by the Agency on a parity basis to (a) the Prior Agency's previously issued (i) \$1,200,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 1996A (the "1996A Bonds"), currently outstanding in the principal amount of \$690,000; (ii) \$3,400,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 1997 (the "1997 Bonds"), currently outstanding in the principal amount of \$2,150,000; (iii) \$900,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2000A (the "2000A Bonds"), currently outstanding in the principal amount of \$660,000; (iv) \$450,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2000B (Taxable) (the "2000B Bonds"), currently outstanding in the principal amount of \$50,000; (v) \$1,400,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2003A (the "2003A Bonds"), currently outstanding in the principal amount of \$1,105,000; (vi) \$700,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2003B (Taxable) (the "2003B Bonds"), currently outstanding in the principal amount of \$210,000; (vii) \$3,400,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2006A (the "2006A Bonds"), currently outstanding in the principal amount of \$2,740,000; (viii) \$1,700,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2006B (Taxable) (the "2006B Bonds"), currently outstanding in the principal amount of \$1,145,000; and (ix) \$4,760,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2011A (the "2011A Bonds"), currently outstanding in the principal amount of \$4,610,000; and (b) the Agency's previously issued \$4,530,000 Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2013 (the "2013 Bonds"), currently outstanding in the principal amount of \$4,385,000. The 1996A Bonds, 1997 Bonds, 2000A Bonds, 2000B Bonds, 2003A Bonds, 2003B Bonds, 2006A Bonds, 2006B Bonds, 2011A Bonds, and 2013 Bonds are referred to collectively herein as the "Existing Parity Bonds."

The Bonds and the Existing Parity Bonds are payable from and equally and ratably secured, without preference or distinction as to Series, by the pledged Tax Revenues as defined herein to be derived from the Project Area. Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll to the extent they constitute Tax Revenues, shall be deposited in the Redevelopment Obligation Retirement Fund, and administered by the Agency and transferred to the Special Fund held by U.S. Bank National Association, as trustee (the "Trustee"), in accordance with the Indenture (as defined herein), providing for the issuance of the Bonds.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain Risk Factors more fully described herein.

The Bonds are not a debt of the City of Blythe, the State of California or any of its political subdivisions (except the Agency) and neither said City, said State or any of its political subdivisions (except the Agency) is liable therefor. The principal of and interest on the Bonds are payable solely from the Tax Revenues allocated to the Agency from the Project Area (all as defined herein and in the Indenture) and other funds as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are offered, when, as and if issued, subject to the approval of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel and Disclosure Counsel. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York, on or about September 23, 2015.

Dated: September \_\_, 2015



NEWCOMB WILLIAMS  
FINANCIAL GROUP

Securities offered through Stinson Securities, LLC

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the dated date of the Official Statement in its final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$15,980,000\*  
**SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY  
 REDEVELOPMENT PROJECT NO. 1  
 TAX ALLOCATION REFUNDING BONDS  
 SERIES 2015**

**MATURITY SCHEDULE  
 (Base CUSIP† 096444)**

<b>Maturity Date (May 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP† Suffix</b>
	\$	%	%	

\$ \_\_\_\_\_ % Term Bonds due May 1, 20\_\_ - Yield - \_\_\_\_% - CUSIP† Suffix \_\_\_\_  
 \$ \_\_\_\_\_ % Term Bonds due May 1, 20\_\_ - Yield - \_\_\_\_% - CUSIP† Suffix \_\_\_\_

\* Preliminary; subject to change.

† CUSIP® Copyright 2015, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP® data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Agency nor the Underwriter guarantees the accuracy of the CUSIP® data.



**SUCCESSOR AGENCY TO THE  
BLYTHE REDEVELOPMENT AGENCY  
BLYTHE, CALIFORNIA**

**Board of Directors**

Tim Wade, *Acting Chair*  
Joseph DeConnick, *Director*  
Oscar Galvan, *Director*  
Wayne Cusick, *Director*

**Agency Staff**

Mallory Sutterfield, *Interim Executive Director & Secretary*  
Christa Elms, *Interim Finance Officer*  
William L. Strausz, *Agency Counsel*

---

**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Richards, Watson & Gershon,  
A Professional Corporation  
Los Angeles, California

**Financial Advisor**

A.M. Miller & Co., Inc.  
San Diego, California

**Fiscal Consultant**

Urban Futures, Inc.  
Orange, California

**Trustee / Continuing Disclosure Dissemination Agent**

U.S. Bank National Association  
Los Angeles, California

**Verification Agent**

The Arbitrage Group  
Buhl, Alabama

**Underwriter**

Stinson Securities, LLC  
Carlsbad, California

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

*No Offering May Be Made Except by this Official Statement.* No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Agency or the Underwriter.

*Use of Official Statement.* This Official Statement is submitted in connection with the sale of the Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between any Bond owner and the Agency or the Underwriter.

*Preparation of this Official Statement.* The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

*Estimates and Forecasts.* When used in this Official Statement and in any continuing disclosure made by the Agency, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the other parties described in this Official Statement, since the date of this Official Statement.

*Document Summaries.* All summaries of the Indenture or other documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. All references in this Official Statement to the Indenture and such other documents are qualified in their entirety by reference to such documents, which are on file with the Agency.

*No Unlawful Offers or Solicitations.* This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

*No Registration with the SEC.* The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

*Public Offering Prices.* The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

*Web Page.* The City of Blythe maintains a website. However, the information maintained on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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**\$15,980,000\***  
**SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY**  
**REDEVELOPMENT PROJECT NO. 1**  
**TAX ALLOCATION REFUNDING BONDS**  
**SERIES 2015**

**INTRODUCTION**

*This introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the Bonds. Potential investors are encouraged to read the entire Official Statement.*

**Authority and Purpose**

The above-captioned bonds (the “Bonds”) are being issued pursuant to the Constitution and laws of the State of California (the “State”), including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Bond Law”) and the provisions of the Dissolution Act (including Health and Safety Code Section 34177.5 therein), and an Indenture, dated as of February 1, 1995 (the “Master Indenture”), by and between the Agency and Bank of America National Trust and Savings Association, as predecessor trustee to U.S. Bank National Association, as heretofore amended and supplemented, including by the Twelfth Supplemental Indenture, dated as of October 1, 2015 (the “Twelfth Supplemental Indenture”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”) (the Master Indenture, as so amended and supplemented, being referred to herein as the “Indenture”).

The issuance of the Bonds and the Twelfth Supplemental Indenture were approved by Resolution No. SA 2015-002 adopted by the Agency on June 9, 2015, and by Resolution No. OB 2015-002 adopted by the Oversight Board for the Agency (the “Oversight Board”) on June 10, 2015 (the “Oversight Board Resolution”). Written notice of the Oversight Board Resolution was provided to the California Department of Finance (“State Department of Finance”) pursuant to the Dissolution Act (as defined herein) on June 23, 2015, and the State Department of Finance requested review within five business days of such written notice. On \_\_\_\_\_, 2015, the State Department of Finance provided a letter to the Agency stating that based on such department’s review and application of the law, the Oversight Board Resolution approving the refinancing of the 2004 Bonds and the 2005A Bonds (each as defined below) is approved by the State Department of Finance and that the letter constitutes the department’s determination with respect to the Oversight Board action taken pursuant to the Oversight Board Resolution (the “DOF Determination Letter”). A copy of the DOF Determination Letter is set forth as APPENDIX H hereto.

The Bonds are being issued to refund on a current basis the Blythe Redevelopment Agency’s (the “Prior Agency”) previously issued \$17,500,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2004 (the “2004 Bonds”) currently outstanding in the principal amount of \$14,735,000 and its previously issued \$1,790,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2005A (the “2005A Bonds”) currently outstanding in the principal amount of \$945,000. The 2004 Bonds and the 2005A Bonds are collectively referred to herein sometimes as the “Refunded Bonds.”

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\* Preliminary; subject to change.

## **The City and the Agency**

The City of Blythe (the “City”) is located in Riverside County (the “County”) in the Palo Verde Valley along the Colorado River, 227 miles southeast of Los Angeles and 150 miles west of Phoenix, Arizona. The City was incorporated in 1916 and operates as a general law city under the Council/Manager form of government. The City encompasses approximately 26.8 square miles and is situated approximately 265 feet above sea level. The City enjoys a California desert climate with winter low temperatures averaging 52 degrees, and summer high temperatures averaging 92 degrees. The 2015 population of the City was estimated to be 18,909.

The Blythe Redevelopment Agency (the “Prior Agency”) was established on June 27, 1984 by the City Council of the City with the adoption of Ordinance No. 604-84, pursuant to the Community Redevelopment Law (Part 1, Division 24, commencing with Section 33000 of the Health and Safety Code of the State) (the “Redevelopment Law”). On June 29, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4<sup>th</sup> 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the “Dissolution Act”).

On September 27, 2011, pursuant to Resolution No. 2011-045 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency and, on February 14, 2012, established rules and regulations for the operations of the Successor Agency to the Blythe Redevelopment Agency (the “Agency”) to assume these successor functions pursuant to Resolution No. SA 2012-001, adopted by the City Council as the governing body of the Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

## **The Redevelopment Plan**

The Redevelopment Plan for the Redevelopment Project No. 1 (the “Redevelopment Plan”) was approved by Ordinance No. 611-84 adopted by the City Council on November 27, 1984 and was amended by Ordinance No. 657-89 adopted by the City Council on June 27, 1989, Ordinance No. 715-95 adopted by the City Council on July 18, 1995, Ordinance No. 758-99 adopted by the City Council on June 22, 1999, and Ordinance No. 779-02 adopted by the City Council on July 9, 2002. Additional territory was added to the Original Project Area pursuant to each of these amending ordinances (respectively, the “1989 Added Territory”, the “1995 Added Territory”, the “1999 Added Territory”, and the “2002 Added Territory”). Redevelopment Project No. 1, which consists of the Original Project Area, the 1989 Added

Territory, the 1995 Added Territory, the 1999 Added Territory and the 2002 Added Territory (collectively, the "Project Area"), comprises about 3,336 acres. The total Project Area comprises about 19.5% of the area within the City's corporate boundaries. The Project Area is zoned for mixed land uses with commercial, industrial, residential and public facility uses.

### **Tax Allocation Financing**

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. Under the Indenture, pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act. See "SECURITY FOR THE BONDS – Tax Increment Financing" herein for additional information.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See "RISK FACTORS."

### **Security for the Bonds**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller (the "Redevelopment Property Tax Trust Fund") pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency's Recognized Obligation Payment Schedule (see "APPENDIX B – SUMMARY OF THE INDENTURE" and "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule").

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the Bonds, are taxes allocated to the Agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law, as described in the foregoing paragraph.

In accordance with the Dissolution Act, pledged "Tax Revenues" are defined under the Indenture as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then the Indenture states that Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

The Bonds and the Existing Parity Bonds are payable from and equally and ratably secured, without preference or distinction as to Series, by an irrevocable pledge of certain Tax Revenues to be derived from the Project Area (including all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act), and all of the monies in the Special Fund (including the Interest Account, the Principal Account, the Reserve Account, and the Redemption Account therein) established and held by the Trustee under the Indenture. Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Area, to the extent they constitute Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule"). Monies deposited by the County Auditor-Controller into the Agency's Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Special Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See "RISK FACTORS."

### **Existing Parity Bonds**

The Bonds are being issued by the Agency on a parity basis to (a) the Prior Agency's previously issued (i) \$1,200,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 1996A (the "1996A Bonds"), currently outstanding in the principal amount of \$690,000; (ii) \$3,400,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 1997 (the "1997 Bonds"), currently outstanding in the principal amount of \$2,150,000; (iii) \$900,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2000A (the "2000A Bonds"), currently outstanding in the principal amount of \$660,000; (iv) \$450,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2000B (Taxable) (the "2000B Bonds"), currently outstanding in the principal amount of \$50,000; (v) \$1,400,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2003A (the "2003A Bonds"), currently outstanding in the principal amount of \$1,105,000; (vi) \$700,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2003B (Taxable) (the "2003B Bonds"), currently outstanding in the principal amount of \$210,000; (vii) \$3,400,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2006A (the "2006A Bonds"), currently outstanding in the principal amount of \$2,740,000; (viii) \$1,700,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2006B (Taxable) (the "2006B Bonds"), currently outstanding in the principal amount of \$1,145,000; and (ix) \$4,760,000 original principal amount of Redevelopment Project No. 1, Tax Allocation Bonds, Series 2011A (the "2011A



Bonds”), currently outstanding in the principal amount of \$4,610,000; and (b) the Agency’s previously issued \$4,530,000 Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2013 (the “2013 Bonds”), currently outstanding in the principal amount of \$4,385,000. The 1996A Bonds, 1997 Bonds, 2000A Bonds, 2000B Bonds, 2003A Bonds, 2003B Bonds, 2006A Bonds, 2006B Bonds, 2011A Bonds, and 2013 Bonds are referred to collectively herein as the “Existing Parity Bonds.”

### **Reserve Account**

In order to further secure the payment of principal of and interest on the Bonds, a Reserve Account within the Special Fund is created and held under the Indenture in an amount equal to the Reserve Account Requirement. Reserve Account Requirement means, as of any calculation date, with respect to each Series of Bonds, an amount equal to the least of (i) 10% of the proceeds (within the meaning of Section 148 of the Code) of that portion of such Series of Bonds Outstanding with respect to which Annual Debt Service is calculated, (ii) 125% of Average Annual Debt Service of such Series or (iii) Maximum Annual Debt Service of such Series.

### **Further Information**

Brief descriptions of the Bonds, the Indenture, the Agency, the Prior Agency and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bond Law, the Redevelopment Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Prior Agency, the Agency and the City are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Agency. During the period of the offering of the Bonds, copies of the forms of all documents are available at the branch office of Stinson Securities, LLC, c/o Newcomb Williams Financial Group, 6842 Embarcadero Lane, Carlsbad, California 92011, and thereafter from the City Clerk's office, City of Blythe, 235 North Broadway, Blythe, California 92225.

## **PLAN OF REFUNDING**

A portion of the proceeds of the Bonds will be used to currently refund and defease (i) all of the Prior Agency's previously issued 2004 Bonds, currently outstanding in the principal amount of \$14,735,000, and (ii) all of the Prior Agency's previously issued 2005A Bonds, currently outstanding in the principal amount of \$945,000. See “SOURCES AND USES OF FUNDS.”

Concurrently with the issuance of the Bonds, the Agency will enter into two Escrow Agreements, dated as of October 1, 2015 (collectively, the “Escrow Agreements”), with U.S. Bank National Association, Los Angeles, California, as escrow agent (the “Escrow Agent”). Under the Escrow Agreements, the Escrow Agent will create and establish two escrow funds, to be known as, respectively, the 2004 Bonds Escrow Fund (the “2004 Bonds Escrow Fund”) and the 2005A Bonds Escrow Fund (the “2005A Bonds Escrow Fund”, and together with the 2004 Bonds Escrow Fund, the “Escrow Funds”). Amounts in the 2004 Bonds Escrow Fund will be held uninvested and will be used to pay the redemption price on the Refunded Bonds consisting of 2004 Bonds, including any accrued and unpaid interest with respect thereto, on October \_\_, 2015. Amounts in the 2005A Bonds Escrow Fund will be held uninvested and will be used to pay the redemption price on the Refunded Bonds consisting of 2005A Bonds, including any accrued and unpaid interest with respect thereto, on October \_\_, 2015. The monies deposited in the Escrow Funds will be held solely for the benefit of the holders of the respective Refunded

Bonds and will not serve as a security or be available for payment of principal of, or interest on, or premium, if any, on the Bonds.

Sufficiency of the deposits to pay and redeem the 2004 Bonds and the 2005A Bonds will be verified upon delivery of the Bonds by The Arbitrage Group, Buhl, Alabama. See "CONCLUDING INFORMATION – Verification" herein. As a result of the deposit and application of funds pursuant to the Escrow Agreements, the lien upon the Tax Revenues of the Refunded Bonds will be discharged, and the Refunded Bonds will no longer have any claim against the Tax Revenues.

### SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are summarized as follows:

<u>Sources</u>	
Principal Amount of Bonds .....	\$
Net Original Issue [Premium/Discount] .....	
2004 Bonds Funds and Accounts .....	
2005A Bonds Funds and Accounts .....	
Total Sources .....	<u>\$</u>
<u>Uses</u>	
Underwriter's Discount .....	\$
Reserve Account <sup>(1)</sup> .....	
Costs of Issuance Fund .....	
2004 Bonds Escrow Fund <sup>(2)</sup> .....	
2005A Bonds Escrow Fund <sup>(3)</sup> .....	
Total Uses .....	<u>\$</u>

- (1) An amount equal to the Reserve Requirement for the Bonds.
- (2) An amount of moneys sufficient to provide for the payment of the principal and interest on the 2004 Bonds to October \_\_, 2015.
- (3) An amount of moneys sufficient to provide for the payment of the principal and interest on the 2005A Bonds to October \_\_, 2015.

### THE BONDS

#### Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture, the Bond Law, and the Dissolution Act.

#### Description of the Bonds

The Bonds will be executed and delivered as one fully-registered Bond in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "Book-Entry System" below. The initially executed and delivered Bonds will be dated the Delivery Date and mature on May 1 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on May 1 and November 1 in each year, commencing on [May

1, 2016], by check mailed to the registered owners thereof or upon the written request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

**Book-Entry System**

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX D – BOOK-ENTRY ONLY SYSTEM."

**Redemption and Purchase of Bonds**

*Optional Redemption.* The Bonds maturing on or before May 1, 20\_\_ are not subject to optional redemption prior to maturity. The Bonds maturing on or after May 1, 20\_\_ are subject to redemption prior to maturity in whole, or in part in the manner determined by the Agency, on any date on or after [May/November] 1, 20\_\_, from any available source of funds, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) as follows, together with accrued interest thereon to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
November 1, 20__ and thereafter	100%

*Sinking Account Redemption.* The Bonds maturing on May 1, 20\_\_ and May 1, 20\_\_ (collectively, the "Term Bonds") are also subject to redemption prior to their respective stated maturities, in part by lot, on May 1, 20\_\_ and May 1, 20\_\_, respectively, and on May 1 in each year shown below until maturity, from Sinking Account Installments deposited in the Sinking Account, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedule:

Term Bonds Maturing May 1, 20\_\_

<u>Sinking Account Installments</u>	
<u>Year</u>	<u>Principal</u>
(May 1)	Amount
	\$

†  
† Maturity.

Term Bonds Maturing May 1, 20\_\_

Sinking Account Installments	
Year (May 1)	Principal Amount
	\$

†  
† Maturity.

Purchase in Lieu of Redemption. In lieu of mandatory sinking account redemption, the Indenture permits a like aggregate principal amount of Bonds to be purchased on the open market, at public or private sale as and when and at such prices as the Agency may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date; provided, that no Bonds shall be purchased under such provisions of the Indenture with a settlement date more than ninety (90) days prior to the applicable May 1 redemption date. The par amount of any Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any 12-month period ending sixty (60) days prior to May 1 in any year shall be credited toward and shall reduce the principal amount of such Bonds required to be redeemed on the May 1 immediately following the date of such purchase.

Notice of Redemption. Notice of redemption will be mailed by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to certain securities depositories and information services. Each notice of redemption will state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the Series, CUSIP numbers and Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and will require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

Transfer and Exchange of Bonds. The Bonds, upon surrender thereof at the Corporate Trust Office of the Trustee, may, at the option of the Owner and upon payment by such Owner of any charges which the Trustee may make as provided in the Indenture, be exchanged for an equal aggregate principal amount of registered Bonds of the same maturity, tenor and Series of any other authorized denominations.

Each Bond shall be transferable only upon the Registration Books which shall be kept for that purpose at the Corporate Trust Office of the Trustee, by the Owner in person or by the Owner's attorney duly authorized in writing, upon surrender of such Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or the Owner's duly authorized attorney and upon payment by such Owner of any charges which the Trustee may make as provided in the Indenture. Upon the transfer of any such Bond the Trustee shall execute and deliver in the name of the transferee a new Bond or Bonds of the same principal amount, Series, tenor and maturity as the surrendered Bond.

The Trustee may deem and treat the person in whose name any Bond shall be registered upon the Registration Books as the absolute Owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and premium, if any, and interest with respect to such Bond and for all other purposes, and all such payments so made to any such Owner or upon the Owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the Trustee shall not be affected by any notice to the contrary.

The Trustee shall not be required to transfer or exchange (i) any Bond in the fifteen days prior to selection of Bonds for redemption (whether or not such Bond is thereafter selected for redemption) and (ii) any Bond selected for redemption in whole or in part.

The Trustee will keep at its Corporate Trust Office sufficient books for the registration of the ownership, transfer and exchange of the Bonds, which books shall be available for inspection by the Agency and its designated agent or any Owner or the Owner's agent duly authorized in writing at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register the ownership, transfer or exchange of the Bonds in such books as herein above provided.

In case any Bond shall become mutilated or be destroyed, stolen or lost, the Trustee shall authenticate and deliver in exchange therefor a new Bond of like maturity, Series and principal amount as the Bond so mutilated, destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Trustee with indemnity satisfactory to the Trustee and complying with such other reasonable regulations as the Trustee may prescribe and paying such expenses as the Trustee may incur. All mutilated Bonds surrendered to the Trustee shall be cancelled and destroyed, and the Trustee shall certify in writing as to their destruction. Any new Bonds issued in substitution for Bonds alleged to be destroyed, stolen or lost shall be entitled to equal and proportionate benefits, with all other Bonds delivered under the Indenture.

### **SECURITY FOR THE BONDS**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Agency's Recognized Obligation Payment Schedule (see "APPENDIX B – SUMMARY OF THE INDENTURE" and "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule").

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Agency under the Dissolution Act, including the Bonds, are taxes allocated

to the Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "taxing agencies") after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable, are to be divided as follows:

(a) *To Taxing Agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable (each, a "base year valuation"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) *To the Prior Agency/Agency:* Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the Prior Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Agency to finance or refinance the redevelopment projects of the Prior Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

As restated in accordance with the requirements of Section 34177.5 of the Dissolution Act for the purposes of the Bonds and other bonds issued pursuant to the authority granted in the Section 34177.5 of the Dissolution Act, "Tax Revenues" are defined under the Indenture as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act; provided, if, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. This

restated meaning is the substantive equivalent of the Tax Revenues pledged to the Refunded Bonds and the Existing Parity Bonds prior to the enactment of the Dissolution Act.

The Bonds are payable from and secured by (i) an irrevocable pledge of the Tax Revenues to be derived from the Project Area on a parity basis with the Existing Parity Bonds Area (including all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act), and (ii) an irrevocable first pledge and lien on all of the monies in the Special Fund (including the Interest Account, the Principal Account, the Sinking Account, and the Reserve Account therein) established and held by the Trustee in trust for the Bondowners under the Indenture.

Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Area, to the extent they constitute pledged Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule"). Monies deposited by the County Auditor-Controller into the Agency's Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Special Fund established under the Indenture and administered by the Trustee in accordance with the Indenture (See "APPENDIX B – SUMMARY OF THE INDENTURE").

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds and the Existing Parity Bonds (see "SECURITY FOR THE BONDS – Tax Increment Financing" and "– Recognized Obligation Payment Schedule" and "RISK FACTORS").

The Bonds are not a debt of the City, the State or any of its political subdivisions (except the Agency), and none of the City, the State or any of its political subdivisions (except the Agency) is liable therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

### **Tax Increment Financing**

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs

of the county auditor-controller. Under the Indenture, pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See "RISK FACTORS."

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area, the Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states, "It is the intent . . . that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge." The implications of these provisions of the Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. However, with respect to the Bonds, the Prior Agency established only one redevelopment project area, which is the Project Area. Therefore, all of the Tax Revenues will derive solely from the Project Area, and the Agency has no obligations deriving from any project area other than the Project Area.

The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Prior Agency entered into several agreements for this purpose (the "Pass-Through Agreements"). Additionally, Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "Statutory Pass-Through Amounts"). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) passthrough payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Prior Agency, as succeeded by the Agency, (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency's enforceable obligations, pass-through payments, and the Agency's administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six-month period.

As described in "REDEVELOPMENT PROJECT NO. 1 – Pass-Through Agreements" and "– Statutory Pass-Throughs," the Agency's Pass-Through Agreements are payable on a basis senior to the



payment of any indebtedness of the Agency, including the Existing Parity Bonds and the Bonds. Similarly, the Dissolution Act provides for a procedure by which the Agency may make Statutory Tax Sharing Amounts subordinate to the Bonds, but, the Agency has determined not to undertake such procedure, and therefore, Statutory Tax Sharing Amounts are not subordinate to the Bonds (see “REDEVELOPMENT PROJECT NO. 1 – Statutory Pass-Throughs”).

See “REDEVELOPMENT PROJECT NO. 1 – Pass-Through Agreements” and “– Statutory Pass-Throughs” for additional information regarding the Pass-Through Agreements and the Statutory Tax Sharing Amounts applicable to the Agency and the revenues derived from the Project Area.

### **Recognized Obligation Payment Schedule**

#### *ROPS Process Under the Dissolution Act*

Before each six-month period, the Dissolution Act requires successor agencies to prepare and submit to the successor agency’s oversight board and the State Department of Finance for approval a Recognized Obligation Payment Schedule (the “Recognized Obligation Payment Schedule”) pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, “enforceable obligation” includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period (see “APPENDIX B – SUMMARY OF THE INDENTURE – Covenants of the Agency”).

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board). Other than amounts deposited in the Redevelopment Property Tax Trust Fund and amounts held in certain funds and accounts under the Indenture, the Agency does not expect to have any other funds available to pay the Bonds.

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule.

The Recognized Obligation Payment Schedule with respect to the six-month period of January 1, 2013 through June 30, 2013 was required to be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than September 1, 2012. For each subsequent six-month period,

the Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Agency's administrative cost allowance is reduced by 25% if the Agency did not submit an Oversight Board-approved Recognized Obligation Payment Schedule by September 11, 2012, with respect to the Recognized Obligation Payment Schedule for the six-month period of January 1, 2013 through June 30, 2013, or by the 80<sup>th</sup> day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods commencing with the period of July 1, 2013 through December 31, 2013.

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the State Department of Finance, the Agency may request additional review by the department and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. Additionally, the County Auditor-Controller may review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must provide notice of any such objections to the Agency, the Oversight Board, and the State Department of Finance at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed and (ii) the amounts of passthrough payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the State Department of Finance no later than October 1 and April 1 of each year, as applicable. With respect to the Recognized Obligation Payment Schedule for January 1, 2015 through June 30, 2015, the County Auditor-Controller must provide such estimate to the Agency by October 1, 2014. If, after receiving such estimate from the County Auditor-Controller, the Agency determines and reports, no later than December 1 or May 1, as applicable (i.e., by December 1, 2015 with respect to the Recognized Obligation Payment Schedule for January 1, 2016 through June 30, 2016), that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of passthrough obligations, for Agency enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the State Department of Finance no later than 10 days from the date of the Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under "SECURITY FOR THE BONDS – Tax Increment Financing" above.

Amounts Received for Prior ROPS Periods

The Agency timely submitted to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller its Oversight Board-approved Recognized Obligation Payment Schedules for the six-month periods of January 1, 2013 through June 30, 2013 and July 1, 2013 through December 31, 2013. The Agency inadvertently submitted its Oversight Board-approved Recognized Obligation Payment Schedule for the six-month period of January 1, 2014 through June 30, 2014 twelve days late, due to changes in the executive staff at the Agency in the month preceding the deadline, and as a result the Agency's administrative cost allowance for the period was reduced by 25%. Subsequently, the Agency's submissions of its Oversight Board-approved Recognized Obligation Payment Schedules for the six-month periods of July 1, 2014 through December 31, 2014, January 1, 2015 through June 30, 2015, and July 1, 2015 through December 31, 2015 were timely.

Pursuant to this process, the Agency received the following amounts for its enforceable obligations for corresponding six-month periods, which include the principal and interest payments on the Existing Parity Bonds and the Refunded Bonds:

<u>ROPS</u>	<u>Six-Month ROPS Period</u>	<u>Distribution to Agency from Redevelopment Property Tax Trust Fund</u>
ROPS I	February 1, 2012 – June 30, 2012	N/A <sup>(1)</sup>
ROPS II	July 1, 2012 – December 31, 2012	\$1,655,949
ROPS III	January 1, 2013 – June 30, 2013	\$1,878,399
ROPS 13-14A	July 1, 2013 – December 31, 2013	\$1,591,309
ROPS 13-14B	January 1, 2014 – June 30, 2014	\$1,793,044
ROPS 14-15A	July 1, 2014 – December 31, 2014	\$1,281,433
ROPS 14-15B	January 1, 2015 – June 30, 2015	\$2,133,647 <sup>(2)</sup>
ROPS 15-16A	July 1, 2015 – December 31, 2015	\$1,406,433

(1) The Dissolution Act originally contemplated a distribution to be made from the Redevelopment Property Tax Trust Fund to successor agencies, including the Agency, on January 2, 2012 for the ROPS I period. However, due to the pendency of the *California Redevelopment Association* case, a related stay during such pendency, and the extension of related Dissolution Act deadlines by four months pursuant to the California Supreme Court's December 29, 2011 decision, the County did not make a distribution on January 2, 2012 from the Redevelopment Property Tax Trust Fund to the Agency or other successor agencies within the County. See "INTRODUCTION – The City and the Agency" for additional information regarding the *California Redevelopment Association* case.

(2) Includes \$812,010 determined by the County Auditor-Controller to previously have been reduced erroneously from the prior distribution to the Agency on account of an incorrect prior period adjustment reconciliation made by the County Auditor-Controller.

Source: *Riverside County Auditor-Controller*.

For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

Statutory Limitations on Review of Bonds on ROPS by DOF

The Dissolution Act provides that any bonds or other indebtedness authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds or other indebtedness had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency's Recognized Obligation Payment Schedule. Section 34177.5(f) of the Dissolution Act additionally provides that if the State Department of Finance has requested review

of the Oversight Board Resolution and, after review, has approved the resolution, the scheduled payments on the Bonds shall be listed in the Recognized Obligation Payment Schedule and will not be subject to further review and approval by the State Department of Finance or the State Controller.

#### *Covenant to Include Debt Service on ROPS*

The Agency has covenanted in the Indenture to take all actions required under the Dissolution Act to include scheduled debt service on the Existing Parity Bonds and the Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Special Fund, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Existing Parity Bonds and the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Indenture for the next payment due on the Existing Parity Bonds and the Bonds in the following six-month period. See " – Existing Parity Bonds" and "APPENDIX B – SUMMARY OF THE INDENTURE").

#### **Reserve Account**

A Reserve Account will be maintained under the Indenture for the Bonds, the Parity Bonds and any Series of Additional Bonds in an amount equal to the Reserve Account Requirement. "Reserve Account Requirement" means, as of any calculation date, with respect to each Series of Bonds, an amount equal to the least of (i) 10% of the proceeds (within the meaning of Section 148 of the Internal Revenue Code of 1986) of that portion of such Series of Bonds Outstanding with respect to which Annual Debt Service is calculated, (ii) 125% of Average Annual Debt Service of such Series or (iii) Maximum Annual Debt Service of such Series. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account and the Principal Account or Sinking Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds of any Series in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Bonds of any Series then outstanding. The Reserve Account Requirement may be satisfied by crediting to the Reserve Account moneys or a Qualified Reserve Account Credit Instrument, or any combination thereof, which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Account Requirement. See "APPENDIX B - SUMMARY OF THE INDENTURE."

#### **Existing Parity Bonds**

The Bonds are secured by a pledge of Tax Revenues (as defined in the Indenture) on a parity with the outstanding bonds of the Prior Agency, being the Series 1996A Bonds, the Series 1997 Bonds, the Series 2000A Bonds, the Series 2000B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the the Series 2006A Bonds, the Series 2006B Bonds, the Series 2011A Bonds, and the Series 2013 Bonds. See "INTRODUCTION – Existing Parity Bonds" above.

#### **Additional Parity Bonds**

Under the Indenture, in addition to the Bonds, the Agency may issue or incur additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) secured by a pledge and lien on Tax Revenues on a parity with the Bonds ("Additional Bonds") in such principal amount as shall be determined by the Agency, pursuant to a separate or

Supplemental Indenture adopted or entered into by the Agency and Trustee and for such purposes as are permitted under the Dissolution Act, including without limitation Section 34177.5 thereof.

Section 34177.5 of the Dissolution Act presently permits successor agencies to issue bonds or incurring other indebtedness secured by property tax revenues comprised of former tax increment and required to be deposited into the respective Redevelopment Property Tax Trust Fund for the applicable successor agency under limited circumstances:

- (i) to provide savings to the successor agency;
- (ii) for the purpose of financing debt service spikes, including balloon maturities; provided, (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance;
- (iii) for the purpose of amending an existing enforceable obligation under which the successor agency is obligated to reimburse a political subdivision of the state for the payment of debt service on a bond or other obligation of the political subdivision or to pay all or a portion of the debt service on the bond or other obligation of the political subdivision to provide savings to the successor agency, when such amendment is in connection with a refunding of the bonds or other obligations of the separate political subdivision so that the enforceable obligation will apply to the refunding obligations of the political subdivision; or
- (iv) for the purpose of making payments under an existing enforceable obligation when the enforceable obligation includes the irrevocable pledge of property tax increment (i.e., formerly tax increment revenues prior to the effective date of the Dissolution Act) or other funds and the obligation to issue bonds secured by that pledge.

When bonds are issued pursuant to the situations contemplated in clauses (i) and (iii), the following two constraints apply to the size of the financing: (A) the total interest cost to maturity on the refunding bonds or indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds or indebtedness may be greater than the outstanding principal amount of the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, having the same lien priority as the pledge of the bonds or other obligations to be refunded.

Subject to the foregoing, the Agency may at any time after the issuance and delivery of the Bonds issue Additional Bonds payable from and secured by a lien and charge upon the Tax Revenues on a parity with the lien and charge securing the Bonds; provided that the following conditions which are set forth in the Indenture, are satisfied:

- (a) The Agency shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indentures, and a Certificate of the Agency to that effect shall have been filed with the Trustee.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Redevelopment Law and all applicable laws, and the issuance of such Additional Bonds shall have been provided for by a Supplemental Indenture duly adopted by the Agency which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the purpose of aiding in financing the Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds or other indebtedness related to the Project, including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount of such Additional Bonds;

(3) The date and the maturity date or dates of such Additional Bonds; provided that (i) principal and sinking account payment dates may occur only on Interest Payment Dates, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory sinking account installments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(4) The Interest Payment Dates, which shall be on the same semiannual dates as the Interest Payment Dates for the Bonds; provided, that such Additional Bonds may provide for compounding of interest in lieu of payment of interest on such dates;

(5) The denomination and method of numbering of such Additional Bonds;

(6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount and due date of each mandatory sinking account installment, if any, for such Additional Bonds;

(8) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;

(9) The amount, if any, to be deposited from the proceeds of such Additional Bonds into the Reserve Account; provided that the amount on deposit in the Reserve Account shall be increased at or prior to the time such Additional Bonds become outstanding to an amount at least equal to the Reserve Account Requirement on all then outstanding Bonds and such Additional Bonds, which amount shall be maintained in the Reserve Account;

(10) The form of such Additional Bonds; and

(11) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The Tax Revenues based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll preceding the date of the Agency's adoption of the Supplemental Indenture providing for the issuance of such Additional Bonds shall be in an amount equal to at least 150% of the Maximum Annual Debt Service on all outstanding Bonds and

such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Redevelopment Law, as evidenced by a Consultant's Report.

For purposes of calculating Tax Revenues, a tax rate of \$1.00 per \$100 of assessed valuation shall be assumed and, if at the time of such calculation the taxes eligible for allocation to the Agency pursuant to the Redevelopment Law in connection with the Original Project Area as described in the Redevelopment Plan approved and adopted by Ordinance No. 611-84 of the City are between \$800,000 and \$850,000, Tax Revenues shall be assumed to be reduced by an amount equal to 20% of the County's Share (as defined in the Cooperation Agreement between the County of Riverside, the Redevelopment Agency of the City of Blythe, and the City of Blythe entered into on March 5, 1985.)

The Indenture provides that for the purposes of issuance of Additional Bonds, Outstanding Bonds shall not include any Bonds the proceeds of which are deposited in an escrow fund held by the Trustee or an escrow agent, provided that the Supplemental Indenture authorizing issuance of such Additional Bonds shall provide that: (i) such proceeds shall be invested in Authorized Investments at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Annual Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues for the then current Fiscal Year shall be at least equal to 1.50 times Maximum Annual Debt Service on all Outstanding Bonds (exclusive of disqualified Bonds described in the Indenture) less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) Additional Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

When such Additional Bonds are to be issued solely for the purpose of refunding and retiring any outstanding Bonds (which is likely to be the circumstance under which any Additional Bonds would be issued, given the constraints of the Dissolution Act discussed above), interest and principal amounts on the outstanding Bonds to be so refunded and retired from the proceeds of such Additional Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service. Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from and secured by a lien and charge on the Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Bonds therefore issued will be outstanding nor shall anything contained in the Indenture prohibit the issuance of any tax allocation bonds or other indebtedness by the Agency secured by a pledge of tax increment revenues (including Tax Revenues) subordinate to the pledge of Tax Revenues securing the Bonds.

#### **Bonds Not a Debt of the City of Blythe or the State of California**

The Bonds are special obligations of the Agency and as such are not a debt of the City, the State or any of its political subdivisions other than the Agency. Neither the City, the State nor any of its political subdivisions other than the Agency is liable for the payment thereof. In no event shall the Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds.

## **THE SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY**

The Prior Agency was established on June 27, 1984 by the City Council of the City with the adoption of Ordinance No. 604-84, pursuant to the Redevelopment Law. On June 29, 2011, AB X1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, AB X1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On September 27, 2011, pursuant to Resolution No. 2011-045 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency and, on February 14, 2012, established rules and regulations for the operations of the Successor Agency to the Blythe Redevelopment Agency (the "Agency") to assume these successor functions pursuant to Resolution No. SA 2012-001, adopted by the City Council as the governing body of the Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City

The Agency is governed by a five-member Board of Directors (the "Board") which consists of the members of the City Council of the City of Blythe. The Mayor acts as the Chair of the Board, the City Manager as its Executive Director, the City Clerk as its Secretary and the Finance Director of the City as the Finance Officer of the Agency.

*Mallory Sutterfield, Interim Executive Director and Secretary.* Mallory Sutterfield was appointed to the position of Interim City Manager of the City and Interim Executive Director of the Agency in March 2015, in addition to her position as Deputy Administrative Services Director of the City, held since July 2014. Previously, from August 2013 through July 2014, Ms. Sutterfield served as the Interim Assistant City Manager of the City and Interim Assistant Executive Director of the Agency. Ms. Sutterfield has also served as the City Clerk of the City since December 8, 2009, and concurrently served as Secretary of the Agency and the Prior Agency since that time as well. Ms. Sutterfield has been the Chair of the Oversight Board to the Agency since its inception. Ms. Sutterfield has been with the City and Prior Agency since July of 2005. During her employment with the City, the Prior Agency, and the Agency, Ms. Sutterfield has served in the Finance, Personnel, Risk Management and Administration Departments. Prior to her service with the City and the Agency, Ms. Sutterfield was earning her Bachelor's and Master's degrees.

*Christa Elms, Interim Finance Officer.* Christa Elms was appointed to the position of Interim Director of Finance of the City and Interim Finance Officer of the Agency in March 2015. Previously, Ms. Elms served as Deputy Director of Finance of the City and Deputy Finance Officer of the Agency since July 2014, after serving as Interim Assistant Finance Director of the City and Interim Assistant Finance Officer of the Agency from August 2013 through July 2014. Ms. Elms also serves as Treasurer of the City, since her appointment to the position in February 2013. Ms. Elms' first employment with the City commenced in October 2001, and she has been an employee of the City's Finance Department since April 2003. Ms. Elms' duties include Payroll, General Ledger, Budget Preparation, and oversight of the



Finance Department, with experience in Accounts Payable and Accounts Receivable. Ms. Elms is currently working on receiving her Bachelor's degree in Accounting.

### **Agency Powers**

All powers of the Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Agency is a separate public body from the City and succeeds to the organizational status of the Prior Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Agency is tasked with expeditiously winding down the affairs of the Prior Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Agency actions are subject to approval by the Oversight Board, as well as review by the State Department of Finance. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Agency and Oversight Board meetings open to the public in a similar manner as City Council meetings.

Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Agency, and other City and Agency officials have made the required filings.

Previously, Section 33675 of the Redevelopment Law required the Prior Agency to file not later than the first day of October of each year with the County Auditor a statement of indebtedness certified by the chief fiscal officer of the Prior Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Prior Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor to the Prior Agency could not exceed the amounts shown on the Prior Agency's statement of indebtedness. The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law (see "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule").

### **RISK FACTORS**

*The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

## **Reduction in Taxable Value**

Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Agency's control, such as relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Tax Revenues that provide for the repayment of and secure the Existing Parity Bonds, the Bonds and any Additional Bonds. Such reduction of Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds, the Existing Parity Bonds, and Additional Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Tax Revenues securing the Existing Parity Bonds and the Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, described herein under the heading "RISK FACTORS," the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Revenues and adversely affect the source of repayment and security of the Existing Parity Bonds, the Bonds and any Additional Bonds.

## **Risks to Real Estate Market**

The Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Tax Revenues by the Agency from the Project Area.

## **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2 percent increase for any given year, or may be reduced to reflect a

reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2 percent, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2 percent. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2 percent limitation several times but in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2011-12, the inflationary value adjustment was 0.753%, which also is below the 2 percent limitation, but for Fiscal Year 2012-13, the inflationary value adjustment was 2.00%, which is the maximum permissible increase under Article XIII A. For Fiscal Year 2013-14, the inflationary value adjustment was 2.00%, and for Fiscal Year 2014-15, the inflationary value adjustment is 0.454%. The Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

### **Development Risks**

The general economy of the Project Area will be subject to all the risks generally associated with real estate development. Projected development within the Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Area is delayed or halted, the economy of the Project Area could be affected. If such events lead to a decline in assessed values they could cause a reduction in Tax Revenues. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Tax Revenues received by the Agency from the Project Area. In addition, the insolvency or bankruptcy of one or more large owners of property within the Project Area could delay or impair the receipt of Tax Revenues by the Agency.

### **Concentration of Source of Property Tax Revenues: Blythe Energy**

The largest secured property taxpayer, Blythe Energy, LLC ("Blythe Energy"), is responsible for 55.62% of the 2014-15 net secured assessed valuation of the total Project Area. See "REDEVELOPMENT PROJECT NO. 1 – Blythe Energy Power Plant." Conditions adversely affecting the production and sale of electric energy would likely have a negative impact on the value of the plant property as assessed by the State Board of Equalization. By the same token, failure by this taxpayer to continue operating and selling the output of its electric power plant may result in its failure to pay property taxes when due and therefore could result in the rapid, total depletion of the Reserve Account prior to reimbursement from the resales of property or delinquency redemptions. In that event, there could be a default in the payments of the principal of and interest on the Bonds.

### **Levy and Collection of Taxes**

The Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Agency to repay the Existing Parity Bonds and the Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes,

could have an adverse effect on the Agency's ability to make timely payments on the Bonds. Any reduction in Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Agency's ability to pay the principal of and interest on the Existing Parity Bonds and the Bonds.

### **State Budget Issues**

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, in December 2011, AB X1 27 was found by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion).

On June 19, 2015, the Governor signed into law the State budget for Fiscal Year 2015-16 (the "2015-16 State Budget"). The following information is drawn from the State Department of Finance's summary (the "2015-16 Budget Summary") of the 2015-16 State Budget. The 2015-16 State Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for Fiscal Year 2015-16. For Fiscal Year 2014-15, the 2015-16 State Budget projects total State general fund revenues of \$111 billion, and total State general fund expenditures of \$114 billion. The 2015-16 State Budget projects that the State will end the 2014-15 Fiscal Year with a \$2.4 billion general fund surplus. For Fiscal Year 2015-16, the 2015-16 State Budget projects total state general fund revenues of \$115 billion and total State general fund expenditures of \$115, leaving the State with a projected general fund surplus for Fiscal Year 2015-16 of approximately \$2.09 billion.

Although the State's budgets for fiscal years 2013-14, 2014-15 and 2015-16 did not include any additional legislation dealing with dissolution of redevelopment agencies, there can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or pledged Tax Revenues.

The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2015-16 Budget Summary, the current State budget, and other documents related to the State budget may be found at the website of the State Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov). A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

*None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.*

## **Recognized Obligation Payment Schedule**

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule." In the event the Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Tax Revenues to the Agency could be adversely affected for such period.

In the event a successor agency fails to submit to the State Department of Finance an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the State Department of Finance may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the State Department of Finance to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the State Department of Finance.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the County Auditor-Controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under "SECURITY FOR THE BONDS – Tax Increment Financing") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for passthrough payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts; (ii) second, on each January 2 and June 1, to the Agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to the Agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any passthrough obligations that were established under the Redevelopment Law).

If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. However, the Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Existing Parity Bonds and on the Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Special Fund, in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Existing Parity Bonds and the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Existing Parity Bonds and the Bonds for the next payment due in the following six-month period. See "APPENDIX B – SUMMARY OF THE INDENTURE – Covenants of the Agency."

The Dissolution Act, as amended by AB 1484, also provides for certain penalties in the event the Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule is required to be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution; provided, the Recognized Obligation Payment Schedule with respect to the six-month period of January 1, 2013 through June 30, 2013 was required to be submitted no later than September 1, 2012. If the Agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Dissolution Act provides that the Agency's administrative cost allowance is reduced by 25% for that period if the Agency does not submit a Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule – *Amounts Received for Prior ROPS Periods*" for more information regarding the timeliness of the Agency's submissions of its Recognized Obligation Payment Schedules to date.

#### **AB 1484 Penalty for Failure to Remit Unencumbered Funds**

AB1484 further implements certain provisions of ABX1 26, including establishing a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process is commonly known as the "due diligence review process" and is required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, the Agency must remit to the county auditor-controller the amount of unobligated balances determined by the State Department of Finance, or it may request a meet and confer with the State Department of Finance to resolve any disputes. If there is a meet and confer process, the Agency must remit the amount of unobligated balances within five working days of receiving a subsequent notification from the State Department of Finance of the amount of unobligated balances at the conclusion of that process.

If the Agency fails to remit the amounts determined by the State Department of Finance by the respective deadlines, certain penalties and remedies apply under AB 1484. Among such penalties and remedies, if the city that established the redevelopment agency is performing the duties of the successor agency, the State Department of Finance may order an offset to the city's sales and use tax revenues equal to the amount the successor agency fails to remit. If the State Department of Finance does not order an offset, the county auditor-controller may reduce the property tax allocation of the city. Alternatively or in addition to the remedies discussed in the foregoing sentences, the State Department of Finance may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

Pertinent to the Bonds, if the Agency were to fail to remit to the County Auditor-Controller the amounts of unobligated balances determined by the State Department Finance within the time frames required under AB 1484, the State Department of Finance may direct the County Auditor-Controller to deduct the unpaid amount from future allocations of Tax Revenues to the Agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

As to affordable housing funds, the Agency has completed the due diligence review process, and on February 13, 2013, the State Department of Finance issued a letter to the Agency making no adjustments and concurring that the Agency had \$6,210,622 in unencumbered affordable housing fund balances available for distribution to taxing entities. The Agency timely remitted to the County Auditor-Controller such unencumbered affordable housing fund balances within the five business day period following notification from the State Department of Finance.

As to non-housing funds, the Agency also has completed the due diligence review process. On August 19, 2013, the State Department of Finance issued a letter to the Agency making no adjustments and concurring that there are no unencumbered non-housing fund balances available for distribution to taxing entities.

On August 30, 2013, the State Department of Finance issued to the agency a "finding of completion," which confirms that the Agency has, among other things, paid in full the amounts determined during the due diligence reviews and the county auditor-controller has reported those payments to the State Department of Finance. Accordingly, based on this finding of completion, neither the Agency nor the City are subject to any AB 1484 penalties for a failure to remit unencumbered funds.

### **Bankruptcy and Foreclosure**

The payment of property taxes from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the Existing Parity Bonds and the Bonds.

## **Estimated Revenues**

In estimating that Tax Revenues will be sufficient to pay debt service on the Existing Parity Bonds and the Bonds, the Agency has made certain assumptions with regard to present and future assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Tax Revenues available to pay debt service on the Existing Parity Bonds and the Bonds will be less than those projected and such reduced Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Existing Parity Bonds and the Bonds.

## **Hazardous Substances**

An environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. If this situation were to occur with property within the Project Area, the costs of remedying it could reduce the marketability and taxable value of the property.

## **Seismic Factors**

Although no specific earthquake faults running through or near the City are identified in the safety element of the City's General Plan 2025, dated March 2007 (the "General Plan"), the City, like most regions in the State, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. According to the General Plan, the most serious direct earthquake hazard is the damage or collapse of buildings and other structures by ground shaking. The potential impact of the ground shaking on building and other urban development is dependent on a number of considerations, including the nature of the underlying materials including rock and soil, the structural characteristics of a building, the quality of workmanship and materials used in construction, the location of the epicenter and the magnitude of the earthquake, and the duration and character of the ground motion. A secondary earthquake risk identified in the safety element of the General Plan is fire, resulting from ground shaking effects, which typically start because of ruptured gas lines, damage to wood, gas or electric stoves, and damage to other gas or electric equipment. According to the General Plan, the City is underlain by a network of natural gas pipelines. Natural gas leaks and explosions can occur as a result of either strong earthquakes or accidental rupture of gas lines during excavation operations at construction sites. For more information regarding natural calamities in the area of the City, see the safety element of the City's General Plan, on file with the Blythe City Clerk.

Nonetheless, the occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the Bonds.

## **Risk of Floods**

According to the safety element of the City's General Plan, potential flood hazards may result from overflow of natural watercourses and man-made drainage systems due to excessive and unusual storm run-off. Although flooding did occur in the City the 1980s as a result of water released from dams



located upstream of the Palo Verde Valley, the General Plan states that the flooding potential of the Colorado River has been substantially reduced in this century, as well as the magnitude, frequency and destructive potential of other identifiable potential flooding sources such as tributary drainage below Parker dam including McCoy Wash. According to the General Plan the City's existing storm drain system and flood control facilities generally have sufficient capacity to provide developed areas with adequate protection from flooding. However, in connection with new development such as in the Hidden Beaches, Mesa Bluffs, and East Blythe areas, the General Plan states that additional drainage improvements will be required.

For more information regarding natural calamities in the area of the City, see the safety element of the City's General Plan, on file with the Blythe City Clerk. As with seismic hazards, the occurrence of flood damage to property located in the Project Area could lead to successful appeals for reduction of assessed values of such property and any reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the Bonds.

### **Wildland and Urban Fire Hazards**

According to the safety element of the City's General Plan, the City is susceptible to both urban and wild-land fire hazards. In this regard, the General Plan notes that urban fires can result from a number of causes, including arson, carelessness, home or industrial accidents, or from ignorance of proper safety procedures, and although wild land fires can result from numerous causes, carelessness is a major cause. According to the General Plan, wild land fires are a concern due to the dense and dry nature of the growth during much of the year and the undeveloped and un-maintained character of much of the area surrounding the Colorado River, particularly in summer months when temperatures reach upwards of 100 degrees. The City has pursued a number of measures to alleviate urban and wild-land fire hazards, including minimum road widths and clearances around structure, the outlaw in 1994 of wood shingle roofs and requirement that all new roofs be constructed of Class A materials, and water pressure requirements. For more information regarding natural calamities in the area of the City, see the safety element of the City's General Plan, on file with the Blythe City Clerk.

As with seismic and flood hazards, the occurrence of wildland or urban fire damage to property located in the Project Area could lead to successful appeals for reduction of assessed values of such property and any reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the Bonds.

### **Changes in the Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Tax Revenues, which could have an adverse effect on the Agency's ability to pay debt service on the Bonds.

### **Investment Risk**

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX B attached hereto for a summary of the definition of Permitted Investments. The funds and accounts of the Agency, into which a portion of the proceeds of the Bonds will be deposited and into which Tax Revenues are deposited, may be invested by the Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks

include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Agency cannot predict the effects on the receipt of Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See "RISK FACTORS – Bankruptcy and Foreclosure."

### **Additional Obligations**

The potential for the issuance of Additional Bonds secured by a pledge of Tax Revenues on a parity with the Existing Parity Bonds and the Bonds could, in certain circumstances, increase the risks associated with the Agency's payment of debt service on the Existing Parity Bonds and the Bonds in the event of a decrease in the Agency's collection of Tax Revenues. However, Section 34177.5 of the Dissolution Act provides limited authority for successor agencies to issue bonds, and the Agency's ability to issue Additional Bonds secured by a pledge of Tax Revenues on a parity with the Existing Parity Bonds and the Bonds is subject to the requirements of the Dissolution Act as in effect from time to time. For additional information, see described "SECURITY FOR THE BONDS – Additional Bonds."

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

### **No Validation Proceeding Undertaken**

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a "validation proceeding," for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the Bonds, California Government Code Section 53511 authorizes a local agency to "bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness." Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters therein adjudicated or which could have been adjudicated, against all persons: "The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive."

The Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Bonds. The Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Bonds and specifying the related deadline for any challenge to the Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving the such financing. Such challenge period expired with respect to the Bonds and the Oversight Board Resolution on July 15, 2013.

It is possible that a lawsuit challenging the Dissolution Act or specific provisions thereof could be successful and that the mechanisms currently provided for under the Dissolution Act to provide for distribution of Tax Revenues to the Agency for payment on the Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the Bonds.

However, the Indenture additionally provides that if, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act (upon which the distribution of Tax Revenues to the Agency rely) are invalidated by a final judicial decision, then Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. Additionally, any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the Bonds could be subject to the same issues regarding unconstitutional impairment of contracts and unconstitutional taking without just compensation. The Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Agency and the availability of Tax Revenues for the payment of debt service on the Bonds and the outstanding Existing Parity Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, the Agency does not guarantee that any lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Agency's ability to timely pay debt service on the Bonds or the Existing Parity Bonds.

### **Loss of Tax-Exemption**

As discussed under the caption "CONCLUDING INFORMATION – Tax Exemption," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Agency in violation of its covenants in the Indenture.

In addition, current and future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

## **PROPERTY TAXATION IN CALIFORNIA**

### **Property Tax Collection Procedures**

*Classification.* In the State, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens.

Generally, *ad valorem* taxes are collected by a county (the "Taxing Authority") for the benefit of the various entities (cities, schools and special districts) that share in the *ad valorem* tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Funds.

*Collections.* Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

*Penalty.* A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

*Delinquencies.* The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31.

*Supplemental Assessments.* California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase.

*Property Tax Administrative Costs.* In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2013-14, the County's administrative charge to the Agency was \$61,783, and

for Fiscal Year 2014-15 the County's administrative charge to the Agency for the Project Area is estimated to be \$85,278.

*Negotiated Pass-Through Agreements.* Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing agreements. The Agency agreements with affected taxing agencies are referred to herein as "Pass-Through Agreements." See "REDEVELOPMENT PROJECT NO. 1 – Pass-Through Agreements" for a summary of the Pass-Through Agreements. See also "SECURITY FOR THE BONDS – Tax Increment Financing" for additional discussion of the treatment of Pass-Through Agreements under the Dissolution Act.

*Statutory Pass-Throughs.* The payment of Statutory Pass-Through Amounts (defined in APPENDIX B) results from (i) plan amendments which add territory in existing project areas on or after January 1, 1994 and (ii) from plan amendments which eliminates one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See "REDEVELOPMENT PROJECT NO. 1 – Statutory Pass-Throughs" and "SECURITY FOR THE BONDS – Tax Increment Financing" for further information regarding the applicability of the statutory pass-through provisions of the Redevelopment Law and the Dissolution Act to the various sub-areas of the Project Area.

*Recognized Obligation Payment Schedule.* The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule" and "RISK FACTORS – Recognized Obligation Payment Schedule."

### **State Assessed Property**

AB 454 (Statutes of 1987, Chapter 921) provided a revised method of reporting and allocating property tax revenues generated from most State-assessed unitary and operating nonunitary properties commencing with Fiscal Year 1988-89. Under AB 454, each county must establish one countywide tax rate area, and the assessed value of all unitary and operating nonunitary property is assigned to this tax rate area. No other property is assigned to the countywide tax rate area. The State reports to each county auditor-controller only the countywide taxable value of each unitary or operating nonunitary property. AB 454 provides two formulas for auditor-controllers to use in order to determine the allocation of unitary and property taxes generated by the countywide value, which are: (i) for revenue generated from the 1% tax rate, each jurisdiction is to receive up to 102% of its prior year unitary and operating nonunitary property tax revenue, exclusive of revenue attributable to levies for debt service; however, if

county-wide revenues generated from unitary and operating nonunitary properties, exclusive of revenue attributable to levies for debt service, are greater than 102% of prior year revenues, exclusive of revenue attributable to levies for debt service, each jurisdiction receives a percentage share of the excess unitary and operating nonunitary property tax revenues equal to the percentage of each jurisdiction's share of secured property taxes; (ii) for revenue generated from the application of the debt service tax rate to county-wide taxable value, each jurisdiction is to receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary and operating nonunitary property taxes.

The provisions of AB 454 apply to all State-assessed property, except railroads, the valuation of which will continue to be allocated to individual tax rate areas. The provisions of AB 454 do not constitute an elimination or a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows generally valuation growth or decline of State-assessed unitary and operating nonunitary property to be shared by all jurisdictions within a county.

Effective January 1, 2007, AB 2670 changes the method of assessing unitary railroad property. Before AB 2670, the assessed value of unitary railroad property was allocated to individual tax rate areas within a county where the property is located. AB 2670 has converted this method of assessment for railroad property to the countywide system. The new method involves establishing a single countywide tax rate area within each county to which the assessed value of specified unitary property of a regulated railroad company would be allocated. Revenues derived from the tax on this value are allocated among local entities in the county pursuant to a specified formula. AB 2670 also requires, with respect to a "qualified facility" as defined in Revenue and Taxation Code Section 100.11, that 80% of the value of the facility and the revenues derived from taxing this value be allocated on a countywide basis, while the remaining 20% of this value and resulting revenues be allocated exclusively to the local rate areas in the county in which the property is located. During the 2013-14 Fiscal Year, the County Auditor-Controller remitted \$26,555 in unitary revenues to the Agency for the Project Area.

The Blythe Energy Power Plant is assessed by the State Board of Equalization. See "REDEVELOPMENT PROJECT NO. 1—Blythe Energy Power Plant."

### **Article XIII A of the State Constitution**

Article XIII A limits the amount of ad valorem taxes on real property to 1% of "full cash value" of such property, as determined by the county assessor. Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." Furthermore, the "full cash value" of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose

special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms "purchase" and "change of ownership," for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature's action, the growth of property tax revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

#### **Appropriations Limitation - Article XIII B**

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by an agency of proceeds of taxes levied by or on behalf of an agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Agency has not adopted an appropriations limit.

#### **Articles XIII C and XIII D of the State Constitution**

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the State Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218. See also "-- Propositions 218 and 26" below.

## **Proposition 87**

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Prior Agency or the Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

## **Time Limits on Receiving Tax Increment Revenues**

Under current limitations contained in the Redevelopment Plan for the Project Area, the right to receive tax increment revenue and to pay debt service with such tax increment revenue will terminate with respect to the Original Territory prior to the final maturity date of the Bonds. The final maturity date of the Bonds is May 1, 2038. However, the right to receive tax increment revenue terminates with respect to the 1989 Added Territory, the 1995 Added Territory, the 1999 Added Territory, and the 2002 Added Territory on different dates. See "REDEVELOPMENT PROJECT NO. 1 - Limitations and Requirements of the Redevelopment Plan" herein. Upon the respective termination dates, debt service on the Bonds will become payable solely from tax increment revenues allocated to the remaining territories of the Project Areas. Applying information currently available, the Agency has structured debt service so that the remaining tax increment revenues will be sufficient to pay the remaining debt service on the Bonds. However, the respective termination dates will result in a smaller number of properties generating Tax Revenues as the termination dates are reached for various added territories. Because the Bonds are payable solely from Tax Revenues, the credit quality of the Bonds at any one time depends upon the credit quality of the remaining territories that generate Tax Revenues. In addition, unanticipated adverse events affecting the remaining territories could impair the Agency's ability to pay, when due, the remaining debt service on the Bonds. See "REDEVELOPMENT PROJECT NO. 1 - Limitations and Requirements of the Redevelopment Plan."

## **Appeals of Assessed Values**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken



and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for “ongoing hardship” in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See “REDEVELOPMENT PROJECT NO. 1 – Largest Taxpayers” for information regarding the assessed valuations of the top ten property owners within the Project Area.

### **Proposition 8**

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

The Agency cannot guarantee that reductions undertaken by the County Assessor or requested by a property owner pursuant to Proposition 8 will not in the future reduce the assessed valuation of property in the Project Area and, therefore, Tax Revenues that secure the Existing Parity Bonds, the Bonds and any Additional Bonds.

### **Propositions 218 and 26**

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIIC of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. Tax Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

### **Future Initiatives**

Article XIII A, Article XIIB, Article XIIC and Article XIID and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

## REDEVELOPMENT PROJECT NO. 1

The Redevelopment Plan for Redevelopment Project No. 1 was adopted on November 27, 1984 by Ordinance No. 611-84 and originally consisted of approximately 509 acres, encompassing four noncontiguous areas. Area one is located along South Lovekin Boulevard and is bounded on the west by South Solano Avenue, on the north by Donlon Street and on the south by West Wells Street. Area two is located along Donlon Street and is bounded on the south by West Wells Street, on the east by North Broadway and on the west by Main Street. Area three (the largest area) is located along Hobsonway and is bounded by Chanslorway on the north, Interstate 10 on the south, City limits on the west and Ninth Street on the east. Area four is located along Lovekin Boulevard between Chanslorway on the south and Holley Lane on the North. The total Project Area, including the area added by the four amendments outlined below, comprises approximately 19.5% of the area within the City's corporate boundaries.

*1989 Amendment.* On June 27, 1989, an amendment (the "1989 Amendment") to the Redevelopment Plan for the Project Area was adopted by Ordinance No. 657-89 to include an additional approximately 617 acres of noncontiguous land (the "1989 Added Territory") consisting of eleven (A-K) subareas generally located both north and south of Interstate 10.

Subarea A, consists of approximately 90 acres and is generally located at the most westerly portion of the City. Subarea A is located directly north of Interstate 10 and south of Hobsonway; its eastern edge interfaces with Defrain Boulevard, while its western boundary is approximately 900 feet west of Carlton Street.

Subarea B, C and D are all generally located at the northerly most portion of the City. Subarea B, which is bisected by north/south running Lovekin Boulevard, consists of a number of large parcels totaling approximately 81 acres. Subarea C, which is located approximately 600 feet east of Lovekin Boulevard contains approximately 24 acres. Subarea D, which borders Broadway Street at its easterly border and the Arizona & California Railroad right-of-way along its westerly border contains approximately 37 acres.

Subarea E, located immediately south of Interstate 10 and immediately north of 14th Ave and on either side of Lovekin Boulevard, is generally composed of commercial, industrial and residential land uses and totals approximately 51 acres. The area west of Lovekin Boulevard is primarily residential in nature, and consists of older, detached, single family houses. The largest portion of Subarea E is located east of Lovekin Boulevard, and consists primarily of public utility, commercial and industrial land uses.

Subarea F, approximately 21 acres in size, is generally located east of Subarea E, south of Interstate 10, interfacing at its southern boundary with a portion of the City's southern boundary. The area is bordered on the west by South 2nd Street and on the east by South 3rd Street. Felix Appleby Elementary School is located along the northern portion of Subarea F, the area lying north of 14th Avenue.

Subarea G, located at the northwest corner of Hobsonway and North 7th Street, consists largely of a commercial shopping center facility which fronts Hobsonway; Twin Palms High School and Ruth Brown Elementary School, and a district school bus garage cover the remainder of the Subarea which totals approximately 17 acres.

Subarea H, which includes approximately 20 acres, is located directly south of Chanslorway and east of Earle Street.

Subarea I, which contains approximately 14 acres, interfaces Interstate 10 along its southern border, is directly adjacent to Hobsonway on the north, and interfaces South 7th Street to the west. The primary land use occurring here is a motel facility located south of Hobsonway.

Subarea J, located directly north of 14th Avenue, south of Interstate 10 and bisected by Intake Boulevard, contains approximately 241 acres of vacant land, as well as agricultural, residential and industrial land uses.

Subarea K, which contains approximately 20 acres, is located at the southeast corner of Intake Boulevard. The portion of Subarea K that borders Hobsonway consists primarily of commercial and industrial land uses, including a motel, gas station and diesel truck repair shop.

*1995 Amendment.* On July 18, 1995, an amendment (the "1995 Amendment") to the Redevelopment Plan for the Project Area was adopted by Ordinance No. 715-95 to include an additional approximately 939 acres of non-contiguous land (the "1995 Added Territory") consisting of eight (A-H) subareas generally located north and south of the central business district, north of Riverside Avenue/Chanslorway and south of 14th Avenue.

Subareas A, B, C, E and F, totaling approximately 350 acres, are all generally located in the north-central portion of the City, between 10th Avenue on the north and Riverside Avenue/Chanslorway on the south. Land use in the entire area is principally residential.

Subarea D, comprising approximately 405 acres, is in the south central portion of the City bounded by 14th Avenue to the north and continuing southerly beyond the City limits and including unincorporated land. Main Street and the Arizona & California Railroad bisect this subarea on a north-south axis. Land use is industrial.

Subareas G and H, totaling approximately 184 acres, are in the northwest portion of the City, beginning at the northwest corner of 6th Avenue and De Frain Boulevard. Land use in these two subareas is residential.

*1999 Amendment.* On June 22, 1999, an amendment (the "1999 Amendment") to the Redevelopment Plan for the Project Area was adopted by Ordinance No. 758-99 to include an additional approximately 1104 acres of non-contiguous land (the "1999 Added Territory") consisting of fifteen subareas.

Subareas A-F, totaling approximately 658 acres, are all generally located north of Hobsonway, the principal east-west thoroughfare in the City. Land uses are mainly commercial and industrial, with residential land use in Subarea B.

Subareas H, J, and K, totaling approximately 266 acres, are located east of the central portion of the City along the Colorado River. Land uses are industrial, tourist commercial and open space.

Subareas L, M, and N, totaling approximately 96 acres, are located in the north central portion of the City, north of Hobsonway and south of Chanslorway. Land uses are industrial, residential, and commercial, respectively.

Subareas O, P, and Q, totaling approximately 84 acres, are located in the south central portion of the City, south of Hobsonway. Land use for Subareas O and Q is residential. Land use for Subarea P is light industrial.

*2002 Amendment.* On July 9, 2002, an amendment (the "2002 Amendment") to the Redevelopment Plan for the Project Area was adopted by Ordinance No. 779-02 to include an additional approximately 347 acres of non-contiguous land (the "2002 Added Territory") consisting of two subareas.

Subarea A, totaling approximately 76 acres, is located along the north side of Hobsonway at the extreme western city limits. Land use is industrial. Construction of an electric generation plant on the site was completed in November 2003, and the plant commenced operations in December 2003. See "REDEVELOPMENT PROJECT NO. 1—Blythe Energy Power Plant."

Subarea B, totaling approximately 271 acres, lies in proximity to the Blythe Airport in unincorporated territory two miles west of the City limits. Land uses are mainly industrial and commercial. In accordance with the Redevelopment Law, the County has granted authority to the Agency to exercise redevelopment powers within this unincorporated territory.

The Project Area is comprised of residential, commercial and industrial uses. Both the Original Project Area and the four added territories were found to be in a state of physical, social and economic blight as defined by the Redevelopment Law.

**Limitations and Requirements of the Redevelopment Plan**

In 1993, the State legislature passed AB 1290, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: 1) the last date to incur debt for a redevelopment project; 2) the last date to undertake redevelopment activity within a project area; and 3) the last date to collect tax increment revenue from a project area to repay debt. Pursuant to AB 1290, which took effect January 1, 1994, the City Council adopted ordinances amending the Redevelopment Plan in the Project Area to impose limits on plan activity in each area, as well as a date past which tax increment revenue could not be collected.

**Plan Limitations – Redevelopment Project No. 1**

	<u>Original Territory</u>	<u>1989 Additional Territory</u>	<u>1995 Additional Territory</u>	<u>1999 Additional Territory</u>	<u>2002 Additional Territory</u>
<b>Time Limits</b>					
Incur Debt	11-27-14	6-27-19	7-18-15	6-22-19	7-9-22
Plan Effective Until	11-27-24	6-27-29	7-18-25	6-22-29	7-9-32
Repay Debt and Receive Property Taxes	11-27-34	6-27-39	7-18-40	6-22-44	7-9-47
<b>Dollar Limits</b>					
Maximum Increment	\$60,000,000	\$80,000,000	No limit	No limit	No Limit
Maximum Bonded Debt	\$20,000,000	\$35,000,000	\$20,000,000	\$10,000,000	\$50,000,000

As of the date of this Official Statement, the Agency has received approximately \$13,171,040 in cumulative tax increment revenues for the Original Territory, approximately \$13,047,627 in cumulative tax increment revenues for the 1989 Added Territory. The total Outstanding bonded indebtedness of the Agency (which is cumulative for the Original Territory plus all additional territories) currently is [\$33,725,000] (including the Existing Parity Bonds and the Bonds (based on an original aggregate principal amount of the Bonds of \$15,980,000\*)).

\* Preliminary; subject to change.

**Pass-Through Agreements**

The Agency has entered into tax increment sharing agreements (“Pass-Through Agreements”) with several taxing entities which require that a portion of tax increment be allocated to such taxing entity on a basis senior to the payment of any indebtedness of the Agency. Such tax increment sharing agreements are listed as follows.

*County of Riverside.* The Agency has entered into a Pass-Through Agreement with the County of Riverside relative to the Original Project Area. The agreement provides that the County shall receive each year a percentage of its normal share of property tax revenues derived from the Original Project Area to be applied to tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to County</u>
\$0 - \$850,000	0%
\$850,001 - \$1,500,000	20%
\$1,500,001 - \$2,500,000	25%
\$2,500,001 and above	50%

Over the life of the Redevelopment Project for the Original Project Area, the cumulative total of the County’s share of tax increment to be allocated and retained by the Agency shall not exceed \$16,000,000. All moneys to be allocated and paid to the County are to be deposited in an interest-bearing trust fund to be designated by the County and such moneys, together with all interest earned thereon, are to be utilized by the County for the costs, in whole or in part, of acquiring, constructing, or improving capital facilities that will be of mutual benefit to the County and to the Original Project Area.

The Agency has entered into a separate Pass-Through Agreement with the County of Riverside relative to the 1989 Amendment which added territory to the Project Area. The agreement provides that Riverside County shall receive each year a percentage of its normal share of property tax revenue derived from the 1989 Added Territory to be applied to tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to County</u>
\$0 - \$100,000	0%
\$100,001 - \$200,000	20%
\$200,001 - \$300,000	25%
\$300,001 - \$400,000	50%
\$400,001 and above	100%

All County pass-through revenue from this agreement will be placed in a special account for capital projects to serve the residents of the City. Upon the Agency receiving \$1,500,000 of the County’s share of tax increment, the County shall thereafter receive 100% of the County’s share of tax increment.

**Riverside County Superintendent of Schools.** The Agency has entered into a Pass-Through Agreement with the Riverside County Superintendent of Schools relative to the Original Project Area. The agreement provides that the Riverside County Superintendent of Schools shall receive each year a percentage of its normal share of property tax revenue derived from the Original Project Area to be applied to the tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to County Superintendent of Schools</u>
\$0 - \$35,000	0%
\$35,001 - \$55,000	24%
\$55,001 - \$110,000	34%
\$110,001 - \$160,000	44%
\$160,001 and above	50%

**Palo Verde Unified School District.** The Agency has entered into a Pass-Through Agreement with the Palo Verde Unified School District relative to the Original Project Area. The agreement provides that the Palo Verde Unified School District shall receive each year a percentage of its normal share of property tax revenue to be applied to the tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to Palo Verde Unified School District</u>
\$0 - \$500,000	0%
\$500,001 - \$750,000	24%
\$750,001 - \$1,500,000	34%
\$1,500,001 - \$2,000,000	44%
\$2,000,001 and above	50%

The Agency has entered into a separate Pass-Through Agreement with the Palo Verde Unified School District relative to the 1989 Amendment which added territory to the Project Area. The agreement states that the Palo Verde Unified School District shall receive each year a percentage of its normal share of property tax revenue derived from the 1989 Added Territory to be applied to the tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to Palo Verde Unified School District</u>
\$0 - \$100,000	23%
\$100,001 - \$350,000	30%
\$350,001 - \$600,000	40%
\$600,001 and above	50%

With respect to the 1995 Added Territory, the 1999 Added Territory and the 2002 Added Territory, the Agency and the Palo Verde Unified School District approved cooperative agreements implementing the requirements of AB 1290 (see below).

See "TAX REVENUES—Projected Taxable Valuation and Tax Revenues" herein.

## Statutory Pass-Throughs

Pursuant to Section 33607.5 of the Redevelopment Law, the Agency must share tax increment revenues from the 1995 Added Territory, the 1999 Added Territory and the 2002 Added Territory with overlapping taxing entities ("Statutory Pass-Through Amounts"). Generally, the formula is as follows:

	<u>Pass Through<sup>(1)</sup></u>
Tier A (Years 1-10)	25%
Tier B (Years 11-30)	21% + Tier A
Tier C (Years 31-40)	14% + Tiers A & B

- (1) Percentage of entity's share of tax increment reduced by pro-rata share of Agency's low and moderate income housing set-aside, to the extent permitted under the Dissolution Act.

Under the Dissolution Act, the Agency is no longer responsible for the payment of Statutory Pass-Through Amounts. Instead, the Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1.

As provided in the Redevelopment Plan, as amended, the amounts payable pursuant to the Statutory Pass-Through Amounts will not be used to calculate the Agency's maximum tax increment limit for the Redevelopment Plan.

The Dissolution Act provides for a procedure by which the Agency may make Statutory Pass-Through Amounts subordinate to the Bonds; however, the Agency has determined not to undertake such procedure, and therefore, Statutory Pass-Through Amounts are not subordinate to the Bonds.

See "TAX REVENUES—Projected Taxable Valuation and Tax Revenues" herein.

**Largest Taxpayers**

Set forth below are the ten largest taxpayers in the Project Area based on the 2014-15 secured property tax roll.

**BLYTHE REDEVELOPMENT AGENCY  
REDEVELOPMENT PROJECT NO. 1  
Ten Largest Secured Property Taxpayers  
2014-15 Fiscal Year**

<u>Taxpayer</u>	<u>Property Use</u>	<u>2014-15 Secured Assessed Valuation</u>	<u>% of Total<sup>(1)</sup></u>
Blythe Energy, LLC	Industrial	\$441,489,269	55.62%
Hayday Farms	Commercial	6,426,483	0.81
Fisher Ranch Corp.	Industrial & Commercial	6,256,700	0.79
Abs Ca-O LLC	Commercial	5,692,721	0.72
J Dada Donlon Inc.	Commercial	4,909,293	0.62
Aujla & Blythe Real Estate LP	Commercial	3,841,411	0.48
Thrifty Payless Inc.	Commercial	3,798,829	0.48
Desert Horizon	Commercial	3,556,927	0.45
West Bayfield 450	Multifamily Residential	3,466,000	0.44
Wec 98d 26	Commercial	2,816,518	0.35
	<b>Total</b>	<b>\$482,251,151</b>	<b>60.76%</b>

(1) Based on fiscal year 2014-15 total Project Area secured assessed valuation of \$793,690,511.

Source: Compiled by Urban Futures, Inc. from the Riverside County 2014-15 Secured Property Tax Roll.

**Blythe Energy Power Plant**

As shown above, the largest secured property taxpayer, Blythe Energy, is responsible for 55.62% of the 2014-15 net secured assessed valuation of the total Project Area. See “RISK FACTORS – Concentration of Source of Property Tax Revenues: Blythe Energy.” *The following description of Blythe Energy, AltaGas Ltd., and AltaGas Power Holdings (U.S.) Inc. is based on information published by AltaGas Ltd. or other sources which the Agency believes to be reliable. The Agency has not independently verified such information.*

Blythe Energy, Inc., a Delaware corporation (formerly Blythe Energy, LLC) (“Blythe Energy”), is the record owner of a site totaling 152 acres in the 2002 Added Territory. Blythe Energy has constructed on such site a nominally rated 520 MW combined cycle electric power plant (the “Blythe Energy Power Plant”). This natural gas-fired plant was completed in November 2003 and commenced operations in December 2003. In the past, the Blythe Energy Power Plant has operated as a “merchant plant,” which means that it was independent of other generators and that the power generated serves the open market rather than any particular utility or load. Since 2008, a 230 kV power transmission line connecting the power plant to the statewide power grid was completed, running from the Blythe Energy Power Plant to the Southern California Energy substation at Metro Water District Julian Hinds Pumping Station.



Accordingly, the Blythe Energy Power Plant now is operated primarily as a “base load plant” and sells energy to Southern California Edison pursuant to a power purchase agreement that commenced on August 1, 2010, with a 10-year term. A base load plant is devoted to the production of base load supply, which is the minimum amount of power that a utility or distribution company must make available to its customers or to meet minimum demands based on reasonable expectations of customer requirements. The power plant is operating presently at 100% capacity, twenty-four hours a day, seven days a week.

Blythe Energy is an indirect subsidiary of AltaGas Ltd. (TSX: ALA), a federally incorporated Canadian corporation (“AltaGas”), a North American energy infrastructure company with a focus on natural gas, power, and regulated utilities. AltaGas Power Holdings (U.S.) Inc., an indirect wholly owned subsidiary of AltaGas, acquired Blythe Energy, as well as the related 230 kV power transmission line connecting the power plant to the statewide power grid, in May 2013 for US\$515 million.

According to information available from the Canadian Securities Administrators through its System for Electronic Document Analysis and Retrieval (SEDAR), AltaGas was formed in August 1993. As described in AltaGas’ Annual Report for its fiscal year ended 2014, AltaGas has three operating segments: utilities, gas, and power. AltaGas owns and operates utilities that deliver natural gas to nearly 560,000 end-user utility customers in North America, including the following regions: Alberta, British Columbia, Nova Scotia, Michigan, and Alaska. AltaGas also owns a one-third equity interest in the utility that delivers natural gas to end-users in Inuvik, Northwest Territories as well as a sixty-five (65) percent interest in CINGSA, which also serves Alaska. AltaGas’ gas segment serves producers in the Western Canada Sedimentary Basin, touches more than 2 Bcf/d of natural gas, and includes natural gas gathering and processing, extraction and fractionation, transmission, storage, natural gas marketing, and energy management. Assets of AltaGas include the only natural gas pipeline from eastern British Columbia to Canada’s west coast. In January 2013, AltaGas established a joint venture with a Japanese partner, Idemitsu Kosan Co., Ltd., to export energy from Canada to Asian markets. As of December 31, 2014, AltaGas’ power segment included 1,285 MW of power generation capacity from gas-fired, coal-fired, wind, biomass, and run-of-river assets, along with an additional 81 MW of assets under construction. As discussed further below, in 2014, AltaGas acquired the Blythe II and Blythe III projects. In January 2015, AltaGas acquired three western U.S. gas-fired power assets with a total generation capacity of 164 MW, increasing its total power generation capacity to 1,449 MW.

*More information regarding AltaGas Ltd., and AltaGas Power Holdings (U.S.) Inc. may be found at the AltaGas Ltd. website: [www.altagas.ca](http://www.altagas.ca). As a publicly traded company, ALA is required to make regular filings with the Canadian Securities Administrators (CSA). These filings may be found at the website for the SEDAR system provided by CDS Inc., on behalf of the CSA: [www.sedar.com](http://www.sedar.com). Electric sales by particular energy providers are reported quarterly by the United States Federal Energy Regulatory Commission (“FERC”) in their Electric Quarterly Report. These reports can be found at the FERC website: [www.ferc.gov](http://www.ferc.gov). These website references are included for informational purposes only. The Agency makes no representation concerning, and takes no responsibility for, the accuracy or timeliness of information posted on such websites or the continued maintenance of such websites.*

On December 14, 2005, the California Energy Commission (“CEC”) issued its decision approving Blythe Energy Project Phase II (“Blythe Energy II”), published as publication no. CEC-800-2005-005-CMF. Blythe Energy II is a proposed addition to the Blythe Energy Power Plant, to be located entirely within the existing expanded Blythe Energy site boundary, and consisting of a nominally rated 520 MW combined cycle power plant. The Blythe Energy II site consists of approximately 76 acres immediately adjacent to the operational Blythe Energy Power Plant. According to the CEC’s description of the project, Blythe Energy II will require no offsite linear facilities, such as a transmission line and natural gas pipelines, in addition to the existing offsite linear facilities currently serving the Blythe Energy Power Plant.

The CEC decision approving Blythe Energy II includes conditions of certification, which must be met prior to the commencement of construction of Blythe Energy II. On April 25, 2012, the CEC approved an extension to the deadline for start of construction to December 14, 2016, by which date the conditions must be met (unless further extended by the CEC). If the conditions of certification are not met by this date, Blythe Energy II cannot be constructed without undertaking the entire certification process again. On June 18, 2014, the CEC approved an amendment to its decision approving Blythe Energy II, to transfer ownership of the certification to AltaGas Sonoran Energy Inc., a Delaware corporation. AltaGas Sonoran Energy Inc. has provided a declaration to the CEC that it agrees to comply with the conditions of certification in the CEC's decision approving Blythe Energy II. AltaGas Sonoran Energy Inc. is a wholly-owned subsidiary of AltaGas Power Holdings (U.S.) Inc. [AltaGas Sonoran Energy Inc. is reported to be actively pursuing a power purchase agreement for Blythe Energy II, with a target date for execution in the first quarter of 2015. . . . *update forthcoming*] The Agency cannot provide any assurances as to whether or not Blythe Energy II will be constructed. Blythe Energy II is not located in the Project Area and, therefore, if constructed, is not expected to result directly in an increase in Tax Revenues.

Pursuant to Sections 100.9 and 721.5 of the Revenue and Taxation Code, as of the January 1, 2003 lien date, facilities such as the Blythe Energy Power Plant have been assessed by the State Board of Equalization ("SBE") rather than the local County Assessor, and property taxes on such plants are allocated to local agencies on the same basis as taxes on locally assessed properties. See "PROPERTY TAXATION—State Assessed Property."

Table 3 of "APPENDIX G – FISCAL CONSULTANT'S REPORT" sets forth the historic assessed valuation of the Blythe Energy Power Plant site through the 2014-15 Fiscal Year. The base year (2001-02) assessed valuation of the Blythe Energy Power Plant site was \$48,211. As described by SBE staff, the Blythe Energy Power Plant was valued on the January 1, 2003 lien date as a construction work in progress. As the plant went online, the valuation process evolved into a combined cost/income approach. The cost approach is defined by SBE staff as replacement cost minus depreciation. In this case, depreciation is defined as a combination of the following:

1. Physical Depreciation: aging of the plant;
2. Functional Obsolescence: loss in values inherent in the property (a factor usually applied to older plants); and
3. Economic Obsolescence: factors associated with the economy and the price of electricity.

The income approach focuses on the commercial viability of a plant; in particular, a plant's income viability over its useful life. The 2015-16 assessed value of the Blythe Energy Power Plant is \$328,000,000. The relative weight of these two approaches (cost and income) will likely change each year.

SBE collects information from plant owners annually, including operating statistics from the prior year. Information from Blythe Energy is due by March 1. SBE evaluates these statistics and other economic data and determines a value by the end of May. Blythe Energy has until July 20 to submit a reassessment appeal.

Tax increment collected from Blythe Energy represents a significant source of Tax Revenues. The Agency cannot give any assurance as to Blythe Energy's continued and successful operation in the Project Area. A number of factors not within the Agency's control, such as conditions adversely affecting the production and sale of electric energy, may negatively impact the value of the plant property as

assessed by the SBE. Unwillingness or failure by Blythe Energy to pay property taxes when due could result in the depletion of the Reserve Account prior to reimbursement from the resale of property or delinquency redemptions. See "RISK FACTORS – Concentration of Source of Property Tax Revenues: Blythe Energy."

### **Appeals**

As previously discussed under "PROPERTY TAXATION IN CALIFORNIA – Appeals of Assessed Values," property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

From January 1, 2010 through May 2015, 124 appeals were filed by property owners with respect to assessed values of their respective parcels in the Project Area. The aggregate assessed value of the properties subject to such appeals was \$79,115,099. Collectively, the appeals filed during this five-year period requested reductions in assessed values in a total amount of \$35,218,483, of which amount a reduction of \$2,898,820, in the aggregate (amounting to 8.23% of the requested reductions and pertaining to 7 successful appeals), was allowed by the State Board of Equalization.

As of May 20, 2015, there were 29 outstanding assessed valuation appeals with respect to parcels located in the Project Area. The aggregate assessed value of the properties subject to such appeals is \$65,684,387, and collectively, the appeals have requested reductions in assessed values in a total amount of \$26,450,774. Based on the historical success rate of 8.23% for the past five years, the Agency's Fiscal Consultant estimates a reduction in the amount of \$3,229,304 in the assessed value of the properties presently subject to outstanding appeals. However, the Agency has no way of knowing the outcome of these appeals or their effect on the valuation in the Project Area.

See "APPENDIX G – FISCAL CONSULTANT'S REPORT," for further details regarding the appeals history and currently outstanding assessment appeals with respect to property located within the Project Area.

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## PLEDGED TAX REVENUES

Tax Revenues (as described in the section "SECURITY FOR THE BONDS" herein) are to be deposited by the Agency in the Redevelopment Obligation Retirement Fund, and thereafter transferred by the Agency to the Special Fund, administered by the Trustee and applied to the payment of the principal of and interest on the Bonds and the Existing Parity Bonds.

### Schedule of Historical Incremental Revenues

The following table is a schedule of the taxable valuations and resulting Gross Tax Revenues in the Project Area for the Fiscal Years 2003-04 through 2014-15.

#### BLYTHE REDEVELOPMENT AGENCY Redevelopment Project No. 1 Assessed Valuation and Tax Revenues

Fiscal Year	Secured Assessed Valuation <sup>(1)</sup>	Unsecured Assessed Valuation	Total Assessed Valuation	Pledged Tax Revenues <sup>(2)</sup>
2003-04	\$580,499,916	\$29,668,500	\$610,168,416	\$4,730,883
2004-05	547,998,467	23,248,025	571,246,492	4,341,663
2005-06	550,710,369	22,803,854	573,514,223	4,364,341
2006-07	534,721,528	22,804,223	557,525,751	4,204,456
2007-08	577,773,915	24,414,398	602,188,313	4,651,082
2008-09	584,799,796	24,970,693	609,940,963	4,728,608
2009-10	594,965,479	26,963,553	621,929,032	4,848,489
2010-11	611,787,906	21,682,699	633,470,605	4,963,905
2011-12	589,629,331	23,458,809	613,088,140	4,760,087
2012-13	597,228,823	24,153,709	621,382,532	4,843,111
2013-14	574,965,456	23,910,149	598,875,605	4,862,630
2014-15	793,690,511	25,613,662	819,304,173	4,985,077
2015-16	694,345,146	26,271,778	720,616,924	4,369,772

(1) Includes State-assessed property

(2) Estimated; does not reflect any delinquencies in actual collections

Source: Compiled by Urban Futures, Inc. from records of the Riverside County Auditor-Controller and the State Board of Equalization.

The vast majority of the assessed valuation of State-assessed property within the Project Area is attributable to the Blythe Energy Power Plant property. See "REDEVELOPMENT PROJECT NO. - Blythe Energy Power Plant" and "PROPERTY TAXATION IN CALIFORNIA - State Assessed Property."

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## Projected Taxable Valuation and Pledged Tax Revenues

The Agency has retained Urban Futures, Inc. of Orange, California to provide projections of taxable valuation and pledged Tax Revenues from developments in the Project Area. The Agency believes the assumptions (set forth in the footnotes below and "APPENDIX G – FISCAL CONSULTANT'S REPORT") upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see "RISK FACTORS"). Therefore, the actual Tax Revenues received during the forecast period may vary from the projections and the variations may be material. A summary of the projected taxable valuation and projected Tax Revenues is as follows:

### BLYTHE REDEVELOPMENT AGENCY Redevelopment Project No. 1 Projected Tax Increment and Tax Revenues

Fiscal Year Ending June 30	Total Assessed Value <sup>(1)</sup>	Incremental Valuation <sup>(2)</sup>	Tax Increment <sup>(3)</sup>	Less Required Tax Sharing Payments <sup>(4)</sup>	Less County Administrative Fee	Tax Revenues Available for Debt Service
2015-16	\$720,616,924	\$583,537,440	\$5,835,374	\$1,378,072	\$87,531	\$4,369,772
2016-17	725,835,432	588,755,948	5,887,559	1,394,452	88,313	4,404,794
2017-18	731,538,495	594,459,011	5,944,590	1,412,416	89,169	4,443,005
2018-19	737,734,090	600,654,606	6,006,546	1,466,212	90,098	4,450,236
2019-20	744,430,563	607,351,079	6,073,511	1,488,937	91,103	4,493,471
2020-21	751,636,642	614,557,158	6,145,572	1,513,370	92,184	4,540,018
2021-22	759,361,441	622,281,957	6,222,820	1,539,543	93,342	4,589,934
2022-23	767,614,469	630,534,985	6,305,350	1,567,488	94,580	4,643,281
2023-24	776,405,644	639,326,160	6,393,262	1,597,239	95,899	4,700,124
2024-25	785,745,300	648,665,816	6,486,658	1,628,829	97,300	4,760,529

- (1) Preliminary assessed valuation for fiscal year 2015-16 as provided by the Riverside County Auditor-Controller, and final fiscal year 2015-16 assessed valuation of Blythe Energy, LLC plant provided by the State Board of Equalization. Annual projected growth in assessed valuation is 3% in 2016-17 and in each year thereafter, except that the assessed valuation of the Blythe Energy Power Plant is a projected to decline by a 2% annual depreciation factor from the 2015-16 assessed value of the Blythe Energy Power Plant of \$328,000,000.
- (2) Total assessed valuation less adjusted Base Year valuation of \$137,079,484.
- (3) Assumes 1.00% tax rate applied to incremental valuation.
- (4) Payments estimated pursuant to AB 1290 Statutory Pass-Through Amounts and Pass-Through Agreements with overlapping entities. See "REDEVELOPMENT PROJECT NO. 1 – Pass-Through Agreements" and "– Statutory Pass-Throughs."

Source: Urban Futures, Inc.

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at the yield set forth on the cover page of this Official Statement, which yield may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

### **Legal Opinion**

The opinion of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California ("Bond Counsel"), approving the validity of the Bonds and stating that interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is also exempt from personal income taxes of the State of California under present State income tax laws, will be furnished to the purchaser at the time of delivery of the Bonds at the expense of the Agency. Compensation for Bond Counsel's services is entirely contingent upon the sale and delivery of the Bonds.

A copy of the proposed form of Bond Counsel's final approving opinion with respect to the Bonds is attached hereto as APPENDIX C.

The legal opinion is only as to legality and is not intended to be nor is it to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

In addition, certain legal matters will be passed on by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as Disclosure Counsel.

### **Tax Exemption**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to their date of issue. These requirements include, but are not limited to, provisions which limit how the proceeds of the Bonds may be spent and invested, and generally require that certain investment earnings be rebated on a periodic basis to the United States of America. The City and the Agency have made certifications and representations and have covenanted to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law and assuming the accuracy of such certifications and representations by the City and the Agency and compliance with such covenants, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, and (ii) the Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, interest on the Bonds is not a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond counsel expresses no opinion as to any other tax consequences regarding the Bonds.

Under the Code, a portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. The exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals eligible for the earned income tax credit. Bond Counsel will express no opinion regarding these and other such consequences.

Bond Counsel has not undertaken to advise in the future whether any circumstances or events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. No assurance can be given that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds, will not contain provisions which could eliminate, or directly or indirectly reduce the benefit of the exclusion of interest on the Bonds from gross income for Federal income tax purposes, or have an adverse effect on the market value or marketability of the Bonds.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Certain requirements and procedures contained or referred to in relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond, or the interest thereon, if any such change occurs or action is taken upon the advice or approval of bond counsel other than Richards, Watson & Gershon, A Professional Corporation.

If the issue price of a Bond (the first price at which a substantial amount of the bonds of a maturity are to be sold to the public) is less than the stated redemption price at maturity of such Bond, the difference constitutes original issue discount, the accrual of which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant yield method over the term of each such Bond and the basis of each Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Purchasers who acquire Bonds with original issue discount are

advised that they should consult with their own independent tax advisors with respect to the state and local tax consequences of owning such Bonds.

If the issue price of a Bond is greater than the stated redemption price at maturity of such Bond, the difference constitutes original issue premium, the amortization of which is not deductible from gross income for Federal income tax purposes. Original issue premium is amortized over the period to maturity of such Bond based on the yield to maturity of that Bond (or, in the case of a Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Bond), compounded semiannually. For purposes of determining gain or loss on the sale or other disposition of such Bond, the purchaser is required to decrease such purchaser's adjusted basis in such Bond by the amount of premium that has amortized to the date of such sale or other disposition. As a result, a purchaser may realize taxable gain for Federal income tax purposes from the sale or other disposition of such Bond for an amount equal to or less than the amount paid by the purchaser for that Bond. A purchaser of that Bond in the initial public offering at the issue price for that Bond who holds it to maturity (or, in the case of a callable Bond, to its earlier call date that results in the lowest yield on that Bond) will realize no gain or loss upon its retirement.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of a Bond is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Prospective purchasers of the Bonds should consult their own independent tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Agency or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Agency as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

### **Verification**

The Arbitrage Group, Buhl, Alabama, independent public accountants, upon delivery of the Bonds, will deliver a report verifying the mathematical accuracy of certain computations contained in schedules provided to them relating to the sufficiency of monies deposited into the Escrow Funds to pay, when due, the principal and interest on the 2004 Bonds and the 2005A Bonds to be refunded.

The report of The Arbitrage Group will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided



to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report

### **No Litigation**

There is no action, suit or proceeding known to the Agency to be pending and notice of which has been served upon and received by the Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency taken with respect to any of the foregoing.

### **Legality for Investment in California**

The Redevelopment Law provides that obligations authorized and issued under the Redevelopment Law will be legal investments for all banks, trust companies and savings banks, insurance companies, and various other financial institutions, as well as for trust funds. The Bonds are also authorized security for public deposits under the Redevelopment Law. Section 34177.5 of the Dissolution Act provides that any bonds authorized under such section (including the Bonds) shall be considered indebtedness incurred by the Prior Agency, with the same legal effect as if the bonds has been issued prior to June 29, 2011, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date.

The Superintendent of Banks of the State of California has previously ruled that obligations of a redevelopment agency are eligible for savings bank investment in California.

### **No Rating**

The Agency has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds.

### **Continuing Disclosure**

Pursuant to a Continuing Disclosure Agreement with U.S. Bank National Association, as Dissemination Agent (the "Disclosure Agreement"), the Agency has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") certain annual financial information and operating data within six months after the end of the Agency's fiscal year, including (a) its postaudit of the financial transactions and records of the Agency for the applicable fiscal year pursuant to Section 34177(n) of the Dissolution Act, and (b) information of the type set forth in this Official Statement in the table entitled "Assessed Valuation and Tax Revenues" under the caption "PLEDGED TAX REVENUES – Schedule of Historical Incremental Revenues" and in the table entitled "Ten Largest Secured Property Taxpayers" under the caption "REDEVELOPMENT PROJECT NO. 1 – Largest Taxpayers."

Further, similar to the continuing disclosure undertaking of the Prior Agency made in connection with the 2011A Bonds, the Agency has agreed in the Disclosure Agreement to provide a supplemental periodic report in advance of the annual information described above, by each October 31, containing an update of the tabular information set forth in the Official Statement in the table entitled "Assessed Valuation and Tax Revenues" under the caption "PLEDGED REVENUES – Schedule of Historical Pledged Revenues" including the then current Fiscal Year in which such October 31 occurs.

In addition, the Agency has agreed to provide, or cause to be provided, to the MSRB in a timely manner, not in excess of ten business days after the occurrence of any such event, notice of the following "Listed Events": (1) principal and interest payment delinquencies; (2) non-payment related defaults, if

material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Obligated Person (as defined in "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT"); (13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission ("Rule 15c2-12"). The Agency may amend the Disclosure Agreement, and waive any provision thereof, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Agency or the type of business conducted thereby; (2) the Disclosure Agreement as so amended would have complied with the requirements of Rule 15c2-12 as of the date of the Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the Agency shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Agency and the Dissemination Agent, to the same effect as set forth in clause (2) above; (4) the Agency shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Agency, to the effect that the amendment does not materially impair the interests of the Owners; and (5) the Agency shall have delivered copies of such opinion and amendment to the MSRB.

In addition, the Agency's obligations under the Disclosure Agreement shall terminate upon the defeasance or payment in full of all of the Bonds. The provisions of the Disclosure Agreement are intended to be for the benefit of the Owners and shall be enforceable by the Trustee on behalf of such Owners, provided that any enforcement action by any such person shall be limited to a right to obtain specific enforcement of the Agency's obligations under the Disclosure Agreement and any failure by the Agency to comply with the provisions thereof shall not be an event of default under the Indenture. See "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

*Presentation of Agency Financial Statements Subsequent to Statutory Dissolution.*

As previously described herein, the Prior Agency was statutorily dissolved on February 1, 2012, and the Agency commenced operations as of the same date. Therefore, the Prior Agency operated for only seven months in fiscal year ended June 30, 2012, and the Agency operated for the last five months of fiscal year ended June 30, 2012. Commencing with the Annual Audit Report (i.e., audited financial statements) of the City for the fiscal year ended June 30, 2012, the activities of the Agency are reported as a fiduciary trust fund as part of the City's Annual Audit Report, which is in accordance with guidance issued by the State Department of Finance on September 19, 2012 and available on its website as of

November 6, 2014, interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency postaudit obligations.

The final seven months of activity of the Prior Agency prior to its February 1, 2012 dissolution have been reported in the governmental funds of the City in the Annual Audit Report for the fiscal year ended June 30, 2012. Pursuant to the Dissolution Act, the housing assets, housing obligations, and housing activities of the Prior Agency have been transferred to the City.

See “APPENDIX F – ANNUAL AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014,” and in particular Note 25 therein regarding “Successor Agency Trust for Assets of Former Redevelopment Agency.”

In accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations and functions should be included in the reporting entity, the Annual Audit Report presents information on the activities of the reporting entity, which includes the City (the primary government) and related but separate legal entities such as the Blythe Financing Authority, the Prior Agency, and the Agency. Such accounting presentation, however, does not change the separate legal status of the entities. With regard to the Agency in particular, as set forth in Section 34173(g) of the Dissolution Act, “A successor agency is a separate public entity from the public agency that provides for its governance and the two entities shall not merge.”

*The State Department of Finance’s website is not in any way incorporated into this Official Statement, and the Agency cannot take any responsibility for, nor make any representation whatsoever as to, the continued accuracy of the Internet address or the accuracy, completeness, or timeliness of information posted there. In addition, from time to time, the State Department of Finance changes its guidance without notice.*

#### Continuing Disclosure History.

In connection with the Existing Parity Bonds, the Prior Agency entered into continuing disclosure obligations under Rule 15c2-12 to file annual financial statements by December 31 of each year. During the last two years of its existence (i.e., prior to its February 1, 2012 dissolution date), the Prior Agency only filed audited financial statements when such audits were complete, on a date occurring 9 calendar days and 39 calendar days, respectively, after the December 31 filing date under the prior continuing disclosure obligations. As discussed above under “CONCLUDING INFORMATION – Continuing Disclosure – Presentation of Agency Financial Statements Subsequent to Statutory Dissolution,” the preparation of annual financial statements for fiscal year ended June 30, 2012 was complicated by the statutory dissolution of the Prior Agency and therefore was not completed until April 19, 2013. On April 29, 2013, the Dissemination Agent filed with the MSRB the Annual Audit of the City for the fiscal year ended June 30, 2012 (which includes financial reporting with respect to the last seven months of existence of the Prior Agency and the first five months of existence of the Agency). See “CONCLUDING INFORMATION – Continuing Disclosure – Presentation of Agency Financial Statements Subsequent to Statutory Dissolution.” Having established the appropriate protocol for reporting the transactions and assets of the dissolved Prior Agency and the Agency in the preparation of the 2011-12 audited financial statements, the Agency expects that future audited financial statements will proceed more expeditiously.

In keeping with this expectation, the Annual Audit of the City for fiscal year ended June 30, 2013 (which includes financing reporting with respect to the Agency), was completed on February 4, 2014. However, the Annual Audit was not filed with the MSRB until March 10, 2014, which is later than the December 31 filing deadline. The delay in filing was due to significant changes in the executive staff at

the City and the Agency throughout calendar year 2013, including several interim City Finance Directors/Agency Finance Officers and changes in the City Manager/Agency Executive Director and City Treasurer. The Agency timely filed the Annual Audit of the City for fiscal year ended June 30, 2013 (which includes financing reporting with respect to the Agency) the MSRB by the December 31, 2014 deadline. See "THE SUCCESSOR AGENCY TO THE BLYTHE REDEVELOPMENT AGENCY" for more information regarding the current executive staff of the Agency.

During its continuing disclosure review performed in connection with the issuance of the Agency's 2013 Bonds, the Agency discovered that due to administrative inadvertence, the Prior Agency and the Dissemination Agent generally did not file updates to assessed valuation and top taxpayer information required by the continuing disclosure obligations for the Existing Parity Bonds, even though the information had been compiled and conveyed to the Prior Agency. Within the past two years prior to June 2013, the only exception to this inadvertent failure was the supplemental report for the 2011A Bonds, which was timely filed with the MSRB in October 2011 (i.e., prior to the October 31 deadline for the supplemental reports). The Agency cured such deficiencies with respect to the reports due in such five-year period, by causing the Dissemination Agent to file such information with the MSRB on April 29, 2013 and May 3, 2013. The Agency timely filed the supplemental reports for the 2011A Bonds in September 2013 and October 2014. The Agency filed the 2013-14 annual updates to assessed valuation and top taxpayer information on January 10, 2014, which is only ten days after the December 31 filing deadline, and it timely filed the 2014-15 annual updates to this information in October 2014.

A failure by the Agency to comply with the provisions of the Disclosure Agreement is not an event of default under the Indenture (although the holders and beneficial owners of the Bonds do have remedies at law and in equity). However, a failure to comply with the provisions of the Disclosure Agreement must be reported in accordance with the SEC Rule 15c2-12(b)(5) and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the Agency to comply with the provisions of the Disclosure Agreement may adversely affect the marketability of the Bonds on the secondary market.

#### **Miscellaneous**

All of the preceding summaries of the Indenture, the Bond Law, the Dissolution Act, the Redevelopment Law, other applicable legislation, the Redevelopment Plan for the Project Area, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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The execution and delivery of this Official Statement by its Executive Director has been duly authorized by the Agency.

SUCCESSOR AGENCY TO THE BLYTHE  
REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
Interim Executive Director

## APPENDIX A

### GENERAL INFORMATION REGARDING THE CITY OF BLYTHE

*The following information concerning the City of Blythe and the surrounding area is included herein only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City of Blythe, Riverside County, the State of California, or any of its political subdivisions (other than the Agency) and neither the City, the County, the State nor any of its political subdivisions (other than the Agency) is liable therefor.*

#### **Geography/Organization**

The City of Blythe (the "City") was incorporated in 1916 and is a general law city. The City is located in Riverside County in the Palo Verde Valley along the Colorado River, 227 miles southeast of Los Angeles and 150 miles west of Phoenix, Arizona. The City has a Council-Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all City departments. The City Council is composed of five members elected biannually at large to serve four-year staggered terms. After each election, the City Council appoints a Mayor and a Vice-Mayor from its own membership to serve a two-year term.

The City encompasses an area of approximately 26.8 square miles and is situated approximately 265 feet above sea level. The City enjoys a California desert climate with winter low temperatures averaging 52 degrees, and summer high temperatures averaging 92 degrees.

#### **Budgetary Process**

The City's 2014-15 Budget was adopted by the City Council on June 26, 2014. The budget totals approximately \$24.2 million, of which approximately \$21.5 million is for City department operations and approximately \$2.7 million is for capital improvements.

The budget funds 66 full-time personnel and 36 part-time positions, totaling 102 positions, of which 35 are on-call firefighters. City departments include administration, finance, development service and planning, police, public works, and recreation and parks. Enterprises include the municipal golf course, sanitation, sewer, and water. The City transferred its prior municipal airport enterprise to the County in fiscal year 2010-11.

#### **Population**

The City's population was estimated at 18,909 as of January 2015 by the California Department of Finance. The City's population increased appreciably in 1992 due to the inclusion of inmates at two State prisons, which are technically within the City limits. The 2010 U.S. Census reported the City's population to be 13,134, not including the prison inmates. Population data for the City since 1970 is presented in the following table.

**City of Blythe  
Population Statistics**

<u>Year</u>	<u>Population</u>	<u>Year</u>	<u>Population</u>
1970	7,047	2011	20,062 <sup>(1)</sup>
1980	6,805	2012	20,408 <sup>(1)</sup>
1990	8,425	2013	19,589 <sup>(1)</sup>
2000	20,235 <sup>(1)</sup>	2014	18,982 <sup>(1)</sup>
2010	20,882 <sup>(1)(2)</sup>	2015	18,909 <sup>(1)</sup>

<sup>(1)</sup> Includes inmates at Chuckawalla and Ironwood State Prisons.

<sup>(2)</sup> The 2010 U.S. Census reported the City's population to be 13,134, not including the prison inmates.

Sources: 1970-1990 U.S. Census; January 2000-2015 California Department of Finance estimates.

**State Prisons**

The State of California Department of Corrections operates two high security prisons on a 1,720-acre site about twenty miles from central Blythe. There are two facilities on the site, Chuckawalla, which opened in December 1988 and Ironwood, which opened in February 1994.

As of June 23, 2014, Chuckawalla Valley State Prison had 759 employees, with a total annual operating budget for fiscal year 2013-14 of approximately \$87 million. As of September 10, 2014, Chuckawalla Valley State Prison had 2,235 inmates. As of October 31, 2013, Ironwood State Prison had 1,170 employees, with a total annual operating budget for fiscal year 2013-14 of approximately \$118 million. As of September 10, 2014, Ironwood State Prison had 3,058 inmates. These are the most recent periods for which information is available. The facilities have been a substantial contributing factor in the growth of commercial activity and housing development in the City.

**Commercial Activity**

A summary of historic taxable retail sales within the City is shown in the following table.

**CITY OF BLYTHE  
Taxable Retail Sales  
(Dollars in Thousands)**

	<u>RETAIL STORES</u>		<u>TOTAL ALL OUTLETS</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2004	169	\$121,074	298	\$141,122
2005	178	141,075	307	163,838
2006	165	146,414	288	173,316
2007	154	153,362	282	178,507
2008	150	136,740	278	160,476
2009	161	121,655	256	135,631
2010	165	122,611	262	135,094
2011	159	126,564	263	145,422
2012	159	134,873	265	169,341
2013 <sup>(1)</sup>	160	143,348	258	168,254

<sup>(1)</sup> Latest year-end data available.

Source: California State Board of Equalization.

## Employment and Industry

The City of Blythe, located in Riverside County, is part of the Riverside-San Bernardino-Ontario MSA. The distribution of employment in this area is as follows.

### Riverside-San Bernardino-Ontario MSA Annual Average Labor Force and Industry Employment

Industry	2010	2011	2012	2013	2014 <sup>(3)</sup>
Total Farm	15,000	14,900	15,000	14,600	14,300
Natural Resources and Mining	1,000	1,000	1,200	1,200	1,300
Construction	59,700	58,700	62,600	69,300	77,000
Manufacturing	85,100	85,800	86,700	86,800	90,200
Trade, Transportation and Utilities	270,800	275,100	288,200	299,300	315,000
Information	15,800	15,000	11,500	11,300	11,200
Financial Activities	41,000	39,200	40,800	42,000	42,700
Professional and Business Services	123,400	126,100	127,100	132,600	137,800
Educational and Health Services	133,800	137,900	167,200	182,000	193,600
Leisure and Hospitality	122,800	124,300	129,300	136,200	144,300
Other Services	38,200	39,300	40,100	40,800	43,200
Government	234,300	227,300	224,600	225,000	228,800
Total All Industries <sup>(1)</sup>	<u>1,140,900</u>	<u>1,144,600</u>	<u>1,194,200</u>	<u>1,241,000</u>	<u>1,299,500</u>
Total Civilian Labor Force <sup>(2)</sup>	1,798,200	1,799,000	1,812,800	1,818,300	1,919,900
Total Unemployment	257,700	241,200	217,900	184,900	156,600
Unemployment Rate	14.3%	13.4%	12.0%	10.2%	8.2%

<sup>(1)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

<sup>(2)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

<sup>(3)</sup> Latest year-end data available.

Source: State Employment Development Department, Labor Market Information Division.

## Principal Employers

There are three manufacturing plants in the community area comprised of the City and surrounding unincorporated community of Ripley. The largest manufacturing firms in the community, as of 2010 (the most recent period for which information is available), are shown below.

### CITY OF BLYTHE (and surrounding unincorporated community of Ripley) Principal Manufacturing Employers

Name	Number of Employees	Products
Morgan Corporation	231	Manufacturing
Hi-Value Processors	120	Vegetable packing
HayDay Farms	65	Feed processor
Crawford & Associates	20	Ready-mix concrete/concrete blocks
Modern Ginning Co.	20	Cotton ginning

Source: Riverside County Economic Development Agency, in conjunction with the City of Blythe and the Blythe Area Chamber of Commerce, 2010 (latest available data).



The principal non-manufacturing employers in the community, as of 2010 (the most recent period for which information is available), are shown below.

**CITY OF BLYTHE**  
**(and surrounding unincorporated community of Ripley)**  
**Principal Non-Manufacturing Employers**

<u>Name</u>	<u>Number of Employees</u>	<u>Description</u>
Ironwood State Prison	1,302	Level III prison
Chuckawalla Valley State Prison	794	Level II prison
Palo Verde Unified School District	300	Public school system
Palo Verde Comm. College District	209	Community college district
Palo Verde Hospital	150	Hospital
City of Blythe	111	Municipality
Albertsons	100	Supermarket
County of Riverside	91	Public administration
K-Mart	88	Retail
Palo Verde Irrigation District	85	Public irrigation
Southern California Gas Co.	43	Public utility

*Source: Riverside County Economic Development Agency, in conjunction with the City of Blythe and the Blythe Area Chamber of Commerce, 2010 (latest available data).*

**Construction Activity**

The following is a summary of the valuation of building permits issued by the City in fiscal years 2009-10 through 2014-15.

**CITY OF BLYTHE**  
**Building Permit Valuation (Dollars in Thousands)**

	<u>2009-10</u>	<u>2010-11<sup>(1)</sup></u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<b>Residential:</b>						
New single-family units	\$ 652	\$1,333	\$ 173	\$ 0	\$ 677	\$ 769
New multi-family/manufactured	84	27	0	177	129	84
Additions, alterations	168	377	578	70	44	118
<b>Total Residential</b>	<b>\$ 904</b>	<b>\$1,737</b>	<b>\$ 751</b>	<b>\$247</b>	<b>\$ 850</b>	<b>\$ 971</b>
<b>Non-Residential:</b>						
New commercial	\$3,354	\$ 0	\$1,286	\$530	\$4,445	\$ 0
Other	20	54	194	0	0	9
Additions, alterations	418	435	334	10	73	1,227
<b>Total Non-Residential</b>	<b>\$3,792</b>	<b>\$ 488</b>	<b>\$1,814</b>	<b>\$540</b>	<b>\$4,518</b>	<b>\$1,236</b>
<b>Total Valuation</b>	<b>\$4,696</b>	<b>\$2,225</b>	<b>\$2,565</b>	<b>\$787</b>	<b>\$5,368</b>	<b>\$2,207</b>
<b>Number of New Dwelling Units:</b>						
Single-family	5	10	2	0	5	5
Multi-family & manufactured	2	2	0	5	2	1
<b>Total Units</b>	<b>7</b>	<b>12</b>	<b>2</b>	<b>5</b>	<b>7</b>	<b>6</b>

(1) Column may not total due to rounding.

*Source: City of Blythe*

**Utilities**

Southern California Edison Company provides Blythe with electric power, and Southern California Gas Company provides natural gas. The City provides water and sewer services.

**Transportation**

Two main highways serve the City from four directions: U.S. Highway 95 north to Las Vegas and South to Yuma, Arizona, and Interstate 10 west to Los Angeles and east to Phoenix. State Highway 78 runs southwest to the city of Brawley. Blythe Airport lies seven miles west of the City off Interstate 10 and has over 6,500 feet of runway. Local and interurban bus transportation is provided via Greyhound and Palo Verde Valley Transit.

**APPENDIX B**  
**SUMMARY OF THE INDENTURE**

**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

## APPENDIX D

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Agency takes no responsibility for the completeness or accuracy thereof. The Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on

behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a

successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**



**APPENDIX F**

**ANNUAL AUDIT REPORT FOR  
FISCAL YEAR ENDED JUNE 30, 2014**

**APPENDIX G**  
**FISCAL CONSULTANT'S REPORT**

**APPENDIX H**  
**DOF DETERMINATION LETTER**