

ANNUAL REPORT

For 2001-02 Fiscal Year

**1998 Tax Allocation Refunding Bonds
Series A & B**

Reedley Redevelopment Agency

Reedley Redevelopment Project

March 2002

Section A - Introduction

In January 1998, the Reedley Redevelopment Agency issued its 1998 Tax Allocation Refunding Bonds, Series A and B (Bonds) in the amount of \$3,860,000. As part of the issuance of the Bonds, the Agency executed a Continuing Disclosure Certificate. The Disclosure Certificate was executed and delivered by the Agency for the benefit of the holders and beneficial owners of the bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The Disclosure Certificate requires the Agency to file an Annual Report with each National Repository and each State Repository (if any) no later than eight months after the close of the fiscal year. The Annual Report must therefore be filed by March 31 of each year. There are currently no State Repositories in California.

The Annual Report needs to contain or incorporate by reference the following financial information or operating data on the Reedley Redevelopment Project Area (Project Area):

- The ten major secured assesses in the Project Area, including name, type of use, secured value and percent of total value;
- Discussion of any property tax appeals by any of the ten major secured assesses which could have a material adverse effect on Tax Revenues (as defined in the Indenture of Trust dated December 1, 1997);
- Annual tax increment revenues, Tax Revenues and coverage ratio of Tax Revenues to debt service on the Bonds and all Parity Debt (as defined in the Indenture);

The Annual Report must also contain the Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles.

This Annual Report (Report) provides the required information for the Agency's fiscal year ending June 30, 2001 and includes data on annual tax increment revenues for the 2001-02 and future fiscal years. The balance of this Report shows the required financial information and operating data and was provided by Fraser & Associates, the Agency's redevelopment consultant. The Audited Financial Statements are contained in Appendix A of this Annual Report. Sanborn and Sanborn Accountancy Corporation prepared the Agency's Audited Financial Statements.

The original redevelopment plan for the Project Area was adopted in July 1991. The Redevelopment Plan was amended in July 1996 to add territory and extend certain time limits. For the balance of this Report, the original portion of the Project Area is referred to as the Original Area and the territory added in 1996 as the Amended Area.

The value and revenue estimates contained in the following section of this Report are based upon information and data which the Agency believes to be reasonable and accurate. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore are not represented as results that will actually be achieved. However, Fraser & Associates has conscientiously prepared them for the Agency on the basis of their experience in the field of financial analysis for redevelopment agencies.

Financial and Operating Data

This section of the Report includes the Top Ten Assesseees and information on assessment appeals in the Project Area. It also includes information on annual tax increment revenues, Tax Revenues and coverage ratios on the Bonds.

Top Ten Assesseees

The Top Ten Assesseees in the Project Area is summarized on Table 1. The table includes the name of each major assessee, the use of the property, the 2001-02 value of the assessee and the percentage each represents to the total value of the Project Area for 2001-02. The taxable value for the Top Ten Assesseees represents 24.62 percent of the total value of the Project Area.

Assessment Appeals

Taxpayers may appeal their property tax assessments. As required for the Annual Report, a review of recently resolved and open appeals was conducted for the Top Ten Assesseees. The review revealed one open appeal in the Project Area. Safety Clean Corporation has requested a \$2.0 million reduction to their assessment of \$5.1 million. Although we do not know if the applicant will be successful with their appeal, for purposes of the tax increment projections shown on Table 2, we have reduced the taxable values of the Project Area in 2002-03 for the full potential impact of the appeal.

Annual Tax Increment Revenues

Table 2 provides information on the annual tax increment revenues of the Project Area for the period 2001-02 through 2005-06. The 2001-02 value of real and other property shown on Table 2 is based on information derived from the records of Fresno County. Real property consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

Tax increment generated from the application of the one percent tax rate to incremental taxable value for 2001-02 is estimated at \$1.4 million in the Project. Tax rates in excess of one percent are no longer levied in the Project Area.

The future level of real and other property values has been estimated on Table 2. In December 2001, the State Board of Equalization advised county assessors that the inflation factor to be used to increase real property values for 2002-03 was 2 percent. Real property values have been increased based on this inflation factor. Should inflation not reach 2 percent in the future, tax increment could be lower than that shown on Table 2. The other property category of value shown on the table has been held constant in the projections at the 2001-02 value level.

Tax Revenues

The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described in this section. The adjustments and liens must be paid prior to the payment of debt service on the Bonds.

Adjustments to Tax Increment

There are two adjustments to the tax increment revenues shown on Table 2: property tax administrative fees and allocations pursuant to former Section 33676 of the Community Redevelopment Law.

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 2 based on the ratio that such fees represented in 2000-01 to total tax increment (1.6 percent).

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount. Such amounts are calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. Taxing entities can receive a proportionate share of such revenues if they elected to do so prior to adoption of the redevelopment plan. The City of Reedley elected to receive additional allocations of property taxes generated in the Original Area. Such amounts have been shown on Table 2.

Senior Obligations

Housing Set-Aside

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. The Agency restricted approximately 30 percent of the Series A Bond proceeds to eligible housing activities. A like percentage of bond debt service for the Series A Bonds can therefore be made from the housing set-aside revenues of the Project Area. The Net Housing Set-Aside shown on Table 2 reflects the total housing set-aside less the amount to be used to make bond debt service payments.

Tax Sharing Payments

The Agency has entered into tax sharing agreements with the County of Fresno and the Fresno County Library District that provides for the Agency to allocate to the County and the Library 100 percent of the County's and Library's share of the taxes attributable to the one-percent increment levy. The Agency and the County interpret the Agreement in such a way that it covers both the Original and Amended Area.

The Agency also has an agreement with the Consolidated Mosquito Abatement District that provides for the Agency to allocate to the District an amount equal to .205 percent of the annual net tax increment received by the Agency for each fiscal year. Net tax increment is defined as the Agency's tax increment less property tax administrative costs charged by the County of Fresno.

Pursuant to the CRL, because the Redevelopment Plan was amended to add territory, the Agency is required to make mandatory payments to the affected taxing entities for the amended portion of the Project Area. These payments are shown as AB 1290 tax sharing payments on Table 2. The payments are equal to 25 percent of tax increment generated in the amended portion of the Project Area, after reduction for the housing set-aside deposit. Because the County and the Library District receive payments per an existing tax sharing agreement, they are not eligible to receive a share of the mandatory tax sharing payments.

Reeser Reimbursement Agreement

The Agency entered into a Development and Reimbursement Agreement with William K. and Linda C. Reeser. The Agreement requires the Agency to reimburse the property owners for the installation of certain public improvements installed as part of the development of a restaurant. The payments are based on the actual tax increment generated from the site. An estimate of the payments due is shown on Table 2. Payments to the property owner under this Agreement are estimated to end in fiscal year 2001-02.

After payment of the above, Tax Revenues for 2001-02 are estimated at \$610,000.

Tax Revenues and Coverage

Table 3 provides information on Tax Revenues and coverage based on Maximum Annual Debt Service (MADS) for the Bonds. As shown on Table 3, Tax Revenues are projected to provide coverage at 216 percent of MADS. The Agency has not issued any tax allocation bonds that are on parity with the 1998 Bonds.

Table 1
 Reedley Redevelopment Agency
 Reedly Redevelopment Project

TEN MAJOR ASSESSES FOR FISCAL YEAR 2001-02

Rank	Major Assesseees	Parcels	Use/Common Name	2001-02 Value	% of Total Value
1	Gerawan Farming Inc	4	Agricultural	\$25,851,480	7.18%
2	Ito Packing Company	10	Agricultural	21,739,115	6.04%
3	Martens Chevrolet & Oldsmobile Co.	3	Auto Dealership	7,027,400	1.95%
4	Reedley Center Inc.	2	Shopping Center	5,871,391	1.63%
5	Reedley Properties	5	Shopping Center	5,583,382	1.55%
6	Meadowbrook Reedley	1	Residential	5,477,000	1.52%
7	Safety Kleen Corporation	3	Industrial	5,139,605	1.43%
8	Hideki Otani	16	Commercial	4,354,427	1.21%
9	Kings Canyon Fruit Sales Corp.	1	Agricultural	3,996,270	1.11%
10	MD Ventures	10	Manufacturing	3,558,883	0.99%
Total Value Major Assesseees				\$88,598,953	24.62%

Source: HdL Coren Cone

Table 2
 Reedley Redevelopment Agency
 Reedley Redevelopment Project

TAX INCREMENT REVENUE PROJECTION
 (000's Omitted)

Fiscal Year		1 <u>FY 01-02</u>	2 <u>FY 02-03</u>	3 <u>FY 03-04</u>	4 <u>FY 04-05</u>	5 <u>FY 05-06</u>
Adjusted Real Property (1) @	2.00%	\$367,925	\$375,283	\$380,749	\$388,364	\$396,131
New Development - Real (2)		0	0	0	0	0
Less: Assessment Appeals Impact (3)		0	2,000	0	0	0
Total Real Property		367,925	373,283	380,749	388,364	396,131
Adjusted Other Property		26,509	26,509	26,509	26,509	26,509
New Development -Other		0	0	21	60	0
Total Other Property		26,509	26,509	26,530	26,569	26,509
Total Value		394,434	399,792	407,279	414,933	422,640
Incremental Value Over Base of:	254,131	140,303	145,661	153,148	160,802	168,509
Total Tax Increment Revenue		1,403	1,457	1,531	1,608	1,685
<i>Adjustments to Tax Increment</i>						
Less: City of Reedley Share (4)		93	102	112	123	133
Less: Property Tax Admin. Charge (5)		23	24	25	26	27
Adjusted Tax Increment Revenue		\$1,288	\$1,330	\$1,394	\$1,459	\$1,525
Senior Obligations						
Less: Net Housing Set-Aside (6)		193	201	214	228	240
Less: Fresno County Tax Sharing Payment		479	495	518	543	567
Less: Consolidated Mosquito Abatement		3	3	3	3	3
Less: AB1290 Tax Sharing Payments		1	1	2	2	3
Less: Reeser Reimbursement Agreement		2	0	0	0	0
Tax Revenue		610	631	657	684	711

- (1) Real property values are assumed to increase by 2 percent annually.
 (2) No new development has been included in this analysis.
 (3) Reflects potential value reduction for outstanding assessment appeal.
 (4) The City of Reedley has adopted a 33676 Resolution.
 (5) Represents the annual property tax administrative charge for fiscal year 2001-02 based on information provided by Fresno County.
 (6) Reflects 20 percent of adjusted tax increment less the portion of bond debt service paid from the Housing set-aside.

Table 3
 Reedley Redevelopment Agency
 Reedley Redevelopment Project

SUMMARY OF PROJECTED TAX REVENUE AND DEBT SERVICE COVERAGE

(000's Omitted)

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Total</u> <u>Tax (1)</u> <u>Increment</u>	<u>Net (2)</u> <u>Housing</u> <u>Set Aside</u>	<u>Other</u> <u>Senior</u> <u>Obligations</u>	<u>Pledged</u> <u>to Debt</u> <u>Service</u>	<u>Maximum</u> <u>Annual</u> <u>Debt Service</u>	<u>Coverage</u>
2002	\$1,288	\$193	\$484	\$610	\$283	216%
2003	1,330	201	499	631	283	223%
2004	1,394	214	523	657	283	232%
2005	1,459	228	548	684	283	242%
2006	1,525	240	573	711	283	251%

(1) Reflects adjusted tax increment revenue from Table 2.

(2) Reflects 20 percent of adjusted tax increment less the portion of bond debt service paid from the Housing set-aside.

APPENDIX

AUDITED FINANCIAL STATEMENTS