



**Redevelopment and Financial Consulting**

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**ANNUAL REPORT**

*For 2002-03 Fiscal Year*

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

*Reedley Redevelopment Agency*

Reedley Redevelopment Project

March 2003

## Section A - Introduction

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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, 2002 and includes data on annual tax increment revenues for the 2002-03 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**

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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 are summarized on Table 1. The table includes the name of each major assessee, the use of the property, the 2002-03 value of the assessee and the percentage each represents to the total value of the Project Area for 2002-03. The taxable value for the Top Ten Assesseees represents 20.58 percent of the total value of the Project Area.

### **Assessment Appeals**

Taxpayers may appeal their property tax assessments. As required for the Annual Report, the Agency has attempted to obtain information on recently resolved and open appeals for the Top Ten Assesseees. The Agency has not yet received this information. Over the past five years, there has only been one minor appeal among the Top Ten Assesseees, with a request for a reduction in assessed value of \$2.0 million. Given this history, it is anticipated that any appeals would only have a minor impact on the revenue stream. The Agency will provide an update to this Annual Report if the appeals data is received and indicates a material impact on Tax Revenues.

### **Annual Tax Increment Revenues**

Table 2 provides information on the annual tax increment revenues of the Project Area for the period 2002-03 through 2006-07. The 2002-03 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 2002-03 is estimated at \$1.5 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 2002, 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 2002-03 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 information from Fresno County on the 2002-03 fees.

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount so long as they had not entered into a pass through agreement with an agency under former Section 33401 of the Health & Safety Code. 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.

Fresno County has also informed the Agency that it has implemented the court decision in *Santa Ana Unified v. Orange County Development Agency*. The case involved Section 33676 of the CRL as described above. In 1986, the Orange County Development Agency adopted a Redevelopment Plan. In 1996, the Santa Ana Unified School District adopted a resolution electing to receive its share of the Section 33676 allocations. The Court decided that even though the District had not filed the resolution prior to adoption of the redevelopment plan, they were eligible to receive the allocations beginning on the date that they did file the resolution. The County has applied this case to the Project Area and withheld approximately \$374,000 for 2002-03 as payment to the three school districts in the Project Area. The Agency has informed the County that the case does not apply to the Project Area, because the Agency has entered into pass through agreements pursuant to Section 33401 with all three school districts. The pass through agreements also make it clear that those payments subsume the Section 33676 allocations. The Agency has requested that the County allocate the \$374,000 back to the Project Area. For purposes

of the tax increment estimates shown in the Annual Report, we have not reduced tax increment revenues for the Section 33676 allocations made to the schools.

### ***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 provide 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.

The Agency also has agreements with the Kings Canyon Unified School District, the Fresno County Superintendent of Schools, and the State Center Community College District. Payments under those agreement are subordinate to debt service on the Bonds and have not been shown on Table 2.

After payment of the above, Tax Revenues for 2002-03 are estimated at \$632,000.

## **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 223 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 2002-03**

Rank	Major Assesseees	Parcels	Use/Common Name	2002-03 Value	% of Total Value
1	Gerawan Farming Inc	4	Industrial	\$23,853,666	6.01%
2	Ito Packing	5	Industrial	21,472,139	5.41%
3	Reedley Properties	5	Commercial	5,671,046	1.43%
4	Meadowbrook Reedley	1	Residential	5,477,400	1.38%
5	Otani Hideki Trustee	18	Commercial	4,997,030	1.26%
6	Reedley Center Inc.	2	Commercial	4,800,000	1.21%
7	Safety Kleen Corporation	2	Industrial	4,096,891	1.03%
8	Kings Canyon Fruit Sales Corp.	1	Miscellaneous	3,977,322	1.00%
9	Maxco Supply Inc.	5	Industrial	3,921,410	0.99%
10	Philips Shopping Center Fund	2	Commercial	3,400,000	0.86%
<b>Total Value Major Assesseees</b>				<b>\$81,666,904</b>	<b>20.58%</b>

Source: HdL Coren Cone

Table 2  
 Reedley Redevelopment Agency  
 Reedley Redevelopment Project

**TAX INCREMENT REVENUE PROJECTION**

(000's Omitted)

Fiscal Year		1 <u>FY 02-03</u>	2 <u>FY 03-04</u>	3 <u>FY 04-05</u>	4 <u>FY 05-06</u>	5 <u>FY 06-07</u>
Adjusted Real Property (1) @	2.00%	\$369,159	\$376,542	\$384,073	\$391,754	\$399,589
New Development - Real (2)		0	0	0	0	0
Less: Assessment Appeals Impact (3)		0	0	0	0	0
<b>Total Real Property</b>		<b>369,159</b>	<b>376,542</b>	<b>384,073</b>	<b>391,754</b>	<b>399,589</b>
Adjusted Other Property		27,659	27,659	27,659	27,659	27,659
New Development -Other		0	0	0	0	0
<b>Total Other Property</b>		<b>27,659</b>	<b>27,659</b>	<b>27,659</b>	<b>27,659</b>	<b>27,659</b>
<b>Total Value</b>		<b>396,818</b>	<b>404,201</b>	<b>411,732</b>	<b>419,413</b>	<b>427,248</b>
Incremental Value Over Base of:	251,053	145,765	153,148	160,679	168,360	176,195
<b>Total Tax Increment Revenue</b>		<b>1,458</b>	<b>1,531</b>	<b>1,607</b>	<b>1,684</b>	<b>1,762</b>
<i>Adjustments to Tax Increment</i>						
Less: City of Reedley Share (4)		102	112	123	133	144
Less: Property Tax Admin. Charge (5)		22	23	24	25	26
<b>Adjusted Tax Increment Revenue</b>		<b>\$1,334</b>	<b>\$1,396</b>	<b>\$1,460</b>	<b>\$1,526</b>	<b>\$1,592</b>
Senior Obligations						
Less: Net Housing Set-Aside (6)		202	214	227	241	254
Less: Fresno County Tax Sharing Payment		497	523	548	575	601
Less: Consolidated Mosquito Abatement		2	2	2	2	3
Less: AB1290 Tax Sharing Payments		0	1	1	2	2
<b>Tax Revenue</b>		<b>632</b>	<b>657</b>	<b>682</b>	<b>706</b>	<b>732</b>

(1) Real property values are assumed to increase by 2 percent annually.

(2) No new development has been included in this analysis.

(3) Assessment appeal data not available.

(4) The City of Reedley has adopted a 33676 Resolution.

(5) Represents the annual property tax administrative charge for fiscal year 2002-03 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>
2003	\$1,334	\$202	\$500	\$632	\$283	223%
2004	1,396	214	526	657	283	232%
2005	1,460	227	552	682	283	241%
2006	1,526	241	579	706	283	249%
2007	1,592	254	606	732	283	259%

(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**