



Redevelopment and Financial Consulting

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ANNUAL REPORT

For 2004-05 Fiscal Year

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

Reedley Redevelopment Agency

Reedley Redevelopment Project

March 2005

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, 2004 and includes data on annual tax increment revenues for the 2004-05 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 are summarized on Table 1. The table includes the name of each major assessee, the use of the property, the 2004-05 value of the assessee and the percentage each represents to the total value of the Project Area for 2004-05. The taxable value for the Top Ten Assesseees represents 16.84 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 obtained information on recently resolved and open appeals for the Top Ten Assesseees. As of the date of this Report, there were no appeals outstanding in the Project Area.

Annual Tax Increment Revenues

Table 2 provides information on the annual tax increment revenues of the Project Area for the period 2004-05 through 2013-14. The 2004-05 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 2004-05 is estimated at \$1.8 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 2004, the State Board of Equalization advised county assessors that the inflation factor to be used to increase real property values for 2005-06 was 2.00 percent. Real property values have been increased based on this inflation factor. The other property category of value shown on the table has been held constant in the projections at the 2004-05 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 percentage that the fees represented to total tax increment in 2003-04.

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.

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 included on Table 2 under the heading Amendment Senior Tax Sharing. 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. For 2004-05, AB 1290 payments represent approximately \$19,000 of the total \$67,000 payment shown on Table 2. A second tier of payments will be due starting in 2005-06. The amount will be equal to 16.8 percent of net tax increment in excess of 2004-05 tax increment revenues. 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, but rather receive the payments described above. Those payments represent \$48,000 of the total \$67,000 payment shown on Table 2.

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 agreements are subordinate to debt service on the Bonds and have not been shown on Table 2.

After payment of the above, Tax Revenues for 2004-05 are estimated at \$761,000.

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 269 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 PROPERTY TAX ASSESSEES FOR 2004-05

Assessee	Type of Use	Secured	Unsecured	Total Value	%of Total Value (2)
1) Gerawan Farming Inc.	Industrial	\$17,603,490	\$1,731,200	\$19,334,690	4.47%
2) Yi Ranches Limited Partnership	Industrial	11,449,484	0	11,449,484	2.65%
3) Mennonite Brethren Homes Inc.	Residential	7,354,282	0	7,354,282	1.70%
4) Meadowbrook Reedley	Residential	6,943,129	0	6,943,129	1.61%
5) Reedley Properties	Commercial	5,766,971	0	5,766,971	1.33%
6) Reedley Center Inc.	Commercial	5,500,000	0	5,500,000	1.27%
7) SWF Machinery	Industrial	0	5,184,100	5,184,100	1.20%
8) Otani Properties	Commercial	3,895,992	0	3,895,992	0.90%
9) Maxco Supply Co.	Industrial	3,702,824	0	3,702,824	0.86%
10) Safety Kleen Corporation	Industrial	3,686,427	0	3,686,427	0.85%
Total Valuation		65,902,599	6,915,300	72,817,899	16.84%

(1) Based on ownership of locally-assessed secured and unsecured property.

(2) Based on 2004-05 Project Area taxable value of \$432,330,134.

Table 2
 Reedley Redevelopment Agency
 Reedly Redevelopment Project

PROJECTION OF INCREMENTAL TAX REVENUE
 (000's Omitted)

Fiscal Year	Total Real (1) Property	Other (2) Property	Total Value	Value Over Base Of \$251,053	Total Tax (3) Increment	33676 (4) Adjustment	Property Tax Admin. Fees (5)	Net Housing Set-Aside	Original Senior Tax (6) Sharing	Amendment Senior Tax (7) Sharing	Tax Revenues
2004 - 2005	\$399,883	\$32,447	\$432,330	\$181,277	\$1,813	\$118	\$21	\$274	\$571	\$67	\$761
2005 - 2006	407,881	32,447	440,328	189,275	1,893	128	22	288	597	70	787
2006 - 2007	416,039	32,447	448,485	197,432	1,974	139	23	302	622	74	814
2007 - 2008	424,360	32,447	456,806	205,753	2,058	150	24	316	648	78	841
2008 - 2009	432,847	32,447	465,293	214,240	2,142	161	25	332	675	82	867
2009 - 2010	441,504	32,447	473,950	222,897	2,229	172	26	347	702	86	896
2010 - 2011	450,334	32,447	482,780	231,727	2,317	183	27	362	730	90	924
2011 - 2012	459,340	32,447	491,787	240,734	2,407	195	28	378	759	94	953
2012 - 2013	468,527	32,447	500,974	249,921	2,499	207	29	394	787	98	983
2013 - 2014	477,898	32,447	510,344	259,291	2,593	219	30	410	817	103	1,014

- (1) Prior Year Real Property increased by 2 percent per year.
- (2) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property. Other property held constant in the projections.
- (3) Based on the application of 1% tax rate to incremental taxable value.
- (4) Allocation per former Section 33676 of the CRL to the City.
- (5) Per SB 2557, reflects Project Area share of County's property tax administrative costs.
- (6) Reflects senior tax sharing payments for the Original Area.
- (7) Reflects AB 1290 payments for the Amendment Area, plus payments to the County.

Table 3
 Reedley Redevelopment Agency
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PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE

(000's Omitted)

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Tax</u> <u>Revenues</u>	<u>Annual</u> <u>Debt Service</u>	<u>Coverage</u>
2005	\$761	\$283	269%
2006	787	283	278%
2007	814	283	288%
2008	841	283	297%
2009	867	283	307%
2010	896	283	316%
2011	924	283	327%
2012	953	283	337%
2013	983	283	347%
2014	1,014	283	358%

(1) Reflects Tax Revenues from Table 2.

APPENDIX

AUDITED FINANCIAL STATEMENTS