



Redevelopment and Financial Consulting

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ANNUAL REPORT

For 2008-09 Fiscal Year

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

Reedley Redevelopment Agency

Reedley Redevelopment Project

March 2009

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, 2008 and includes data on annual tax increment revenues for the 2008-09 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 2008-09 value of the assessee and the percentage each represents to the total value of the Project Area for 2008-09. The taxable value for the Top Ten Assesseees represents 17.98 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 attempted to obtain information on recently resolved and open appeals for the Top Ten Assesseees. As of the date of this Report, the Agency had not received information from Fresno County on the status of any major appeals outstanding in the Project Area.

Proposition 8 Appeals

A number of counties in California formally announced that they would process temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties as of January 1, 2008 without prompting from individual taxpayers. Typically, the properties to be reviewed by the various counties for these “automatic” reductions are single family homes and condominiums which transferred ownership between 2003 and December 31, 2008. These announcements were triggered because residential property values have decreased in many areas of the state.

The Fresno County Assessor’s Office has indicated that for 2008-09, they reduced value for over 46,000 properties county-wide. No information was available on the impacts within the Project Area for 2008-09, although assessed values did increase by 2 percent in 2008-09 from 2007-08 levels. Information was also not available on future Proposition 8 reductions.

Annual Tax Increment Revenues

Table 2 provides information on the annual tax increment revenues of the Project Area for the period 2008-09 through 2017-18. The 2007-08 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 2008-09 is estimated at \$2.9 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 2008, the State Board of Equalization advised county assessors that the inflation factor to be used to increase real property values for 2008-09 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 2008-09 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 2007-08.

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 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 tax sharing payments are based on a three tier formula. All payments are made after the Agency's deposit to its housing set-aside.

Tier	Payment Required
Tier 1	25% of total tax increment during the entire term the Agency receives tax increment.
Tier 2	Beginning in the 11th year that the Agency receives tax increment, an additional payment equal to 21% of the tax increment attributable to growth above year 10 levels.
Tier 3	Beginning in the 31st year that the Agency receives tax increment, an additional payment equal to 14% of the tax increment attributable to growth above year 30 levels.

Tier 1 and Tier 2 payments are currently being made for the Project Area.

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 2008-09 are estimated at \$1,246,000.

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 440 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 2008-09

Assessee	Type of Use	Secured	Unsecured	Total Value	%of Total Value (2)
1) Ito Packing Company Inc.	Industrial	\$13,081,598	\$9,281,900	\$22,363,498	4.14%
2) Gerawan Farming Inc.	Industrial	17,072,500	0	17,072,500	3.16%
3) Otani Properties	Commercial	13,670,317	0	13,670,317	2.53%
4) Meadowbrook Reedley	Residential	9,314,369	0	9,314,369	1.72%
5) Reedley Place LLC	Unknown	7,457,720	0	7,457,720	1.38%
6) Reedley Center Inc.	Commercial	7,301,959	0	7,301,959	1.35%
7) Reedley Properties	Commercial	7,102,382	0	7,102,382	1.31%
8) Bravante Curci Investors LP	Unknown	5,130,008	0	5,130,008	0.95%
9) Theodore M. & Audrey R. Haas	Industrial	3,930,025	0	3,930,025	0.73%
10) MD Ventures	Residential	3,677,579	0	3,677,579	0.68%
Total Valuation		87,738,457	9,281,900	97,020,357	17.96%

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

(2) Based on 2008-09 Project Area taxable value of \$539,748,786.

Table 2
 Reedley Redevelopment Agency
 Reedly Redevelopment Project

PROJECTION OF INCREMENTAL TAX REVENUE
 (000's Omitted)

Fiscal Year	Total Real Property (1)	Other Property (2)	Total Value	Value Over Base Of \$250,990	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
2008 - 2009	\$509,567	\$30,652	\$540,219	\$289,230	\$2,892	\$166	\$36	\$481	\$910	\$53	\$1,246
2009 - 2010	519,759	30,652	550,411	299,421	2,994	178	37	499	942	56	1,283
2010 - 2011	530,154	30,652	560,806	309,816	3,098	189	39	517	975	59	1,319
2011 - 2012	540,757	30,652	571,409	320,419	3,204	200	40	536	1,009	62	1,357
2012 - 2013	551,572	30,652	582,224	331,234	3,312	212	41	556	1,043	65	1,395
2013 - 2014	562,603	30,652	593,255	342,266	3,423	224	43	574	1,078	69	1,435
2014 - 2015	573,855	30,652	604,507	353,518	3,535	237	44	595	1,114	72	1,474
2015 - 2016	585,333	30,652	615,985	364,995	3,650	249	45	616	1,150	75	1,514
2016 - 2017	597,039	30,652	627,691	376,702	3,767	262	47	636	1,187	79	1,556
2017 - 2018	608,980	30,652	639,632	388,642	3,886	275	48	658	1,225	82	1,598

- (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.

Table 3
 Reedley Redevelopment Agency
 Reedly Redevelopment Project

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>Maximum</u> <u>Annual</u> <u>Debt Service</u>	<u>Coverage</u>
2009	\$1,246	\$283	440%
2010	1,283	283	453%
2011	1,319	283	466%
2012	1,357	283	479%
2013	1,395	283	493%
2014	1,435	283	507%
2015	1,474	283	521%
2016	1,514	283	535%
2017	1,556	283	550%
2018	1,598	283	565%

(1) Reflects Tax Revenues from Table 2.

APPENDIX

AUDITED FINANCIAL STATEMENTS