



**CALEXICO CITY COUNCIL/CALEXICO REDEVELOPMENT SUCCESSOR
AGENCY/CALEXICO FINANCING AUTHORITY
REGULAR MEETING AGENDA**

**City of Calexico
Fernando "Nene" Torres Council Chambers
608 Heber Avenue
Calexico, California
www.calexico.ca.gov**

**Tuesday, October 7, 2014
6:30 p.m.**

Council Members

**John M. Moreno, Mayor/Chairman
Joong S. Kim, Mayor Pro Tem/Vice Chair
Luis J. Castro, Councilman
Bill Hodge, Councilman
Maritza Hurtado, Councilwoman**

City Clerk

Gabriela T. Garcia

Interim City Manager

Richard N. Warne

City Attorney

Jennifer M. Lyon

City Treasurer

John T. Quinn

CLOSED SESSION AGENDA

5:30 P.M.

CALL TO ORDER

Roll Call.

Adjourn to Closed Session.

A "Closed" Session of the City Council/Calexico Community Redevelopment Agency Successor Agency/ Calexico Financing Authority may be held in accordance with state law which may include, but is not limited to, the following types of items: personnel matters, labor negotiations, security matters, providing instructions to real property negotiators and conference with legal counsel regarding pending litigation. The Closed Session will be held in the City Hall Conference Room located at 608 Heber Avenue, Calexico, California. Any public comment on Closed Session items will be taken before the Closed Session. Any required announcements or discussion of Closed Session items or actions following the Closed Session will be made in the City Council Chambers, 608 Heber Avenue, Calexico, California.

CLOSED SESSION

1. PUBLIC EMPLOYEE APPOINTMENT/EMPLOYMENT
Title: Interim City Manager (Govt. Code section 54957)
2. CONFERENCE WITH LABOR NEGOTIATORS
Agency Representatives: Mayor and City Attorney
Unrepresented Employee: Interim City Manager
(Govt. Code section 54957.6)

**CALEXICO CITY COUNCIL/CALEXICO REDEVELOPMENT SUCCESSOR
AGENCY/CALEXICO FINANCING AUTHORITY**

REGULAR SESSION AGENDA

6:30 P.M.

**Next City Ordinance Number: 1157
Next City Resolution Number: 2014-75**

CALL TO ORDER

Call to Order and Attendance.
Pledge of Allegiance.
Closed Session Announcements.
Approval of the Agenda.

ANNOUNCEMENTS

These proceedings may be viewed on the City of Calexico website at www.calexico.ca.gov the Friday following the City Council meeting.

AWARDS, PRESENTATIONS, APPOINTMENTS AND PROCLAMATIONS

1. Presentation by Eduardo Rivera, Legal Counsel for Heffernan Memorial Healthcare District, Regarding Response to the Grand Jury Report.
2. Presentation by Aracely Saucedo, Executive Director of Calexico New River Committee. Regarding New Projects.

**CALEXICO COMMUNITY REDEVELOPMENT
AGENCY SUCCESSOR AGENCY**

DISCUSSION AND POTENTIAL ACTION ITEMS

3. Resolution of the City Council of the City of Calexico in its Capacity as the Successor Agency to the Calexico Community Redevelopment Agency Approving the Recognized Obligation Payment Schedule 14-15b for the Period of January Through June 2014 and Approving Certain Related Actions.
4. Resolution of the Board of Directors of the Successor Agency to the Community Redevelopment Agency of the City Of Calexico Reapproving the Form of the Preliminary Official Statement to Deem it Final Under Rule 15c2-12 and Authorizing Certain Other Actions in Connection Therewith.

**CALEXICO CITY COUNCIL/CALEXICO REDEVELOPMENT SUCCESSOR
AGENCY/CALEXICO FINANCING AUTHORITY
REGULAR SESSION CONTINUED**

PUBLIC COMMENTS AND PUBLIC APPEARANCES

NOTE: (Not to Exceed 3 Minutes) This is the time for the public to address the City Council on any item not appearing on the agenda that is within the subject matter jurisdiction of the City Council. The Mayor will recognize you and when you come to the microphone, please state your name and place of residence for the record. While members of the public are encouraged to participate, it is unlawful to disturb or delay the Council meeting with personal or slanderous remarks. If the item you wish to comment on is a closed session or consent item, please comment now. The City Council is prohibited by State law from taking action or discussing items not included on the printed agenda. If the item you wish to comment on is on the public portion of the agenda, we will take your comment when we get to the item on the agenda. Please direct your questions and comments to the City Council.

CITY COUNCIL COMMENTS AND REPORTS OF MEETINGS ATTENDED

CONSENT CALENDAR

All matters listed under the Consent Calendar are to be considered routine by the City Council/Calexico Community Redevelopment Agency Successor Agency or Calexico Financing Authority and will be enacted by one motion in the form listed. Any item may be removed from the Consent Calendar and considered separately by the City Council.

5. City Council/Calexico Community Redevelopment Agency Successor Agency/Calexico Financing Authority Minutes for Regular Meetings of June 17, 2014, September 2, 2014, September 16, 2014, April 2, 2013, Special Meetings of April 10, 2013, April 9, 2014, May 23, 2014, September 23, 2014.
6. Resolution of the City Council of the City of Calexico, California, Declaring a Used Fire Engine and Two Ambulances as Surplus and Donation of Said Vehicles.
7. Affidavit of Warrants for August 2014.
8. Resolution Authorizing the City of Calexico to Approve the Program Income Waiver to be used for the Fire Station I Rehabilitation Project.
9. Award Bid for the Calexico International Airport Runway Pavement Rehabilitation Project AIP No. 03-06-0034-016-2014.
10. Award Chemical Bids for the Water Treatment Facility.
11. Purchase of a 2015 Sewer Truck Mounted Jet/Vacuum Machine from Plumbers Depot, Inc. Through a Cooperative Purchase with City of Ventura.
12. Resolution of the City Council of the City of Calexico Authorizing the Submittal of an Application, Acceptance of an Allocation of Funds and Execution of a Grant Agreement with the California Department of Transportation for an Airport Improvement Program (AIP) Matching Grant.
13. Authorize City Manager to Sign Agreement of Professional Service with AE Consulting, Inc. for Construction Management and Inspection Services for the Calexico International Airport Runway Pavement Rehabilitation Project AIP: 3-06-0034-16-2014.

14. Resolution of the City Council of the City of Calexico Authorizing the Interim City Manager to Execute Any and All Necessary Documents to Revert the Former Calexico Courthouse Property to the City of Calexico, Including but not Limited to the Notice to Exercise Power of Termination, the Quit Claim Deed and Certificate of Acceptance.

ITEMS REMOVED FROM CONSENT CALENDAR FOR DISCUSSION

PUBLIC HEARING

15. Presentation of Alternative 2 as the Preferred Alternative for the Calexico Intermodal Transportation Center Feasibility Study.

DISCUSSION AND POTENTIAL ACTION ITEMS

16. Presentation by Nick Servin, City Engineer Regarding Heavy Truck Traffic on Highway 98 and Cole Road.
17. Introduction and Waive First Reading of an Ordinance of the City Council of the City of Calexico Repealing Chapters 13.04; 13.08; 12.12; 13.16; 13.24; 13.28; and 13.30 of Chapter 1 Water System" Title 13 Public Services" of the Calexico Municipal Code and adding Chapter 1 Water Service," Sections 13.01.010 through 13.01.720 to Title 13 "Public Services" of the Calexico Municipal Code.
18. Consideration of a Resolution to Extend the Employment Agreement of Interim City Manager, Richard N. Warne, for an Additional Six Months with Terms to be Agreed Upon by the Parties.

INFORMATIONAL ITEMS

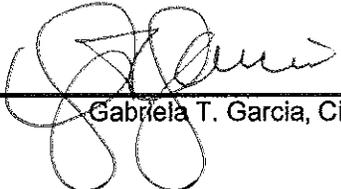
19. Receipt of Overtime Report for August 2014.

FUTURE AGENDA ITEMS

ADJOURNMENT

It is the intention of the City of Calexico to comply with the Americans with Disabilities Act in all respects. If you are a person with a disability who requires a disability-related modification or accommodation in order to participate in a meeting, including auxiliary aids or services, please request such modification or accommodation from the City Clerk at (760) 768-2102. Notification at least 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to the meeting. Please advise us at the time whether you will require accommodations to participate in meetings on a regular basis. Any person affected by any application on this agenda may submit their concerns in writing prior to the meeting or appear in person and be heard in support or opposition to the proposal at the time the matter is considered on the agenda. The staff reports, applications and environmental documents may be viewed at either the office of the office of the City Clerk, 608 Heber Avenue from 8:30 a.m. until 5:30 p.m. Monday through Thursday, except legal holidays. Telephone inquiries may be made at (760) 768-2102. If you challenge any agenda issue in court, you may be limited to raising only those issues that you or someone else raised at the public meeting described in this notice, or in written correspondence delivered to the City of Calexico at, or prior to, the public meeting.

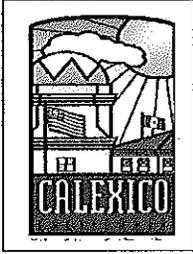
This notice of agenda is hereby certified to have been posted on or before 5:30 p.m., October 2, 2014


Gabriela T. Garcia, City Clerk

5:30pm / 10/2/2014
Time/Date

**AGENDA
ITEM**

1



AGENDA STAFF REPORT

DATE: October 7, 2014

TO: Mayor and City Council

APPROVED BY: Richard N. Warne, Interim City Manager *RN*

PREPARED BY: Heffernan Memorial Healthcare District

SUBJECT: Presentation by Eduardo Rivera, Legal Counsel for Heffernan Memorial Healthcare District regarding response to the Grand Jury Report.

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Presentation of the Response of the Heffernan Memorial Healthcare District to the Final Report of Findings of the 2013-2014 Imperial County Civil Grand Jury will be given by Mr. Eduardo Rivera, Legal Counsel for the Heffernan Memorial Healthcare District.

HEFFERNAN MEMORIAL HEALTHCARE DISTRICT

Directors:

Rosie Fernandez
Gloria Grijalva
Sylvia Bernal
Norma Apodaca
Maria T. Camacho

601 HEBER AVENUE
CALEXICO, CALIFORNIA 92231
TELEPHONE (760) 357-6522 FAX (760)357-9712

General Counsel
Eduardo Rivera

Board Secretary
Brenda Ryan

September 29, 2014

The Honorable Poli Flores, Jr.
Presiding Judge
Superior Court of the State of California
County of Imperial
939 Main Street
El Centro, CA 92243

RE: RESPONSE OF THE HEFFERNAN MEMORIAL HEALTHCARE DISTRICT TO THE FINAL REPORT
OF FINDINGS OF THE 2013-2014 IMPERIAL COUNTY CIVIL GRAND JURY

Dear Presiding Judge Flores:

In accordance with Section 933 (a) of the California Penal Code, please find the attached Heffernan Memorial Healthcare District responses as requested to findings 1 through 5, inclusive and to recommendations 1 through 5, inclusive.

If you have any additional questions or need any further information, please do not hesitate to contact me.

Sincerely,



Rosie Fernandez
Chairperson of the Heffernan Memorial Healthcare District
Board of Directors

Enclosure

Cc: Roy Caldwell, Foreperson 2013-2014 Imperial County Civil Grand
John M. Moreno, Mayor, City of Calexico and City Council Members
John Renison, Chairman of the Imperial County Board of Supervisors and County
Supervisors.

**RESPONSE OF THE HEFFERNAN MEMORIAL HEALTHCARE DISTRICT TO THE FINAL REPORT OF
FINDINGS OF THE 2013-2014 IMPERIAL COUNTY CIVIL GRAND JURY**

RESPONSES TO FINDINGS:

FINDING #1. The HMHD's dealings with MegaPark LLC has left the appearance of improprieties of handling tax generated money for purposes that are not fully understood.

RESPONSE, HMHD: The Respondent disagrees wholly with the finding.

The Grand Jury fails to understand the plain language of the purchase agreement between HMHD and MegaPark LLC. The purchase agreement required MegaPark LLC to meet certain mandatory conditions and obligations. MegaPark LLC failed to perform its obligations under the purchase agreement resulting in the termination of the purchase agreement by HMHD. All documents evidencing these transactions and termination of the purchase agreement were provided to the Grand Jury.

The \$500,000.00 deposit paid by HMHD under the terms of the purchase agreement is owed by MegaPark LLC to HMHD. The deposit is secured by a note and deed of trust on MegaPark LLC's property. The HMHD is taking legal action for the return of the \$500,000.00 deposit from MegaPark LLC.

The Grand Jury fails to identify what "appearance of improprieties" were found in their investigation. HMHD did not engage in any dealings with MegaPark LLC that were improper.

FINDING #2. The complaint that began this investigation was due to an allegation of misuse of \$500,000.00 over land to be developed. These funds were given to the president of MegaPark LLC. A purchase agreement was presented to the Board. Conflicting dates on this agreement and the lack of concrete ownership make this document hard to follow.

RESPONSE, HMHD: The Respondent disagrees wholly with the finding.

The HMHD entered into a purchase agreement with MegaPark LLC on February 28 2011, to purchase approximately 13.3 acres of property contingent on certain special conditions which MegaPark LLC had to meet. The purchase price was \$3,267,000.00. The deposit for the purchase of the property was \$500,000.00. The purchase deposit of \$500,000.00 was refundable to HMHD if the purchase did not take place pursuant to the purchase agreement.

HMHD paid the purchase deposit to MegaPark LLC. HMHD did not pay the purchase deposit to the president of MegaPark LLC. A copy of the HMHD check is attached to this Response for your review. The purchase deposit was secured by a note and a deed of trust on MegaPark LLC's property.

The purchase agreement is a complex legal document but it is not hard to follow and there are no conflicting dates. The purchase agreement is very clear as to the rights, duties and obligations of the parties to the agreement. The Grand Jury misunderstands or misreads the purchase agreement.

The agreement simply requires that MegaPark LLC meet special conditions before HMHD is obligated to

purchase the 13.3 acre property. MegaPark LLC failed to meet the special conditions in the purchase agreement for HMHD to buy the property. HMHD, therefore, terminated the purchase agreement.

The Grand Jury was provided with the information regarding the special conditions which MegaPark LLC failed to meet. The Grand Jury was provided with the termination letter which clearly points out MegaPark LLC's failure to meet the required special conditions of the agreement thereby allowing HMHD to terminate the agreement. A copy of the termination letter is attached to this Response for your review.

HMHD terminated the purchase agreement on July 1, 2012. HMHD is taking legal action against MegaPark LLC in order to recovery the purchase deposit.

FINDING #3. HMHD spent approximately 94% of its budget for the past five years (5) on board stipends, staffing expenses, legal expenses, and questionable donations instead of medical/healthcare as is the intended purpose of this district.

REPSONSE, HMHD: The Respondent disagrees wholly with the finding.

The Grand Jury is incorrect and its factual conclusions are wrong and without merit. HMHD has spent approximately 20% of its budget for the last five years (5) in the above listed areas. HMHD did not make questionable donations of any of its funds. The Grand Jury fails to support its erroneous conclusions with factual source information.

FINDING #4. The HMHD has the appearance of participating on questionable banking and other financial practices.

REPSONSE, HMHD: The Respondent disagrees wholly with the finding.

HMHD's banking and financial practices are proper. HMHD has annual audits of its financial transactions and banking practices performed by Certified Public Accountants. The Grand Jury was provided with the annual audits of the HMHD. The last five years of HMHD's banking and financial transaction have been audited without any finding by the Certified Public Accountant's firms of questionable banking and financial practices.

The annual CPA audits are public records and are available at the District's office for any member of the public to inspect. The Grand Jury's findings are without merit and are incorrect.

FINDING #5. There seems to be no practical present reason for continuing with the operation of the HMHD and lack of being an actual viable healthcare operation as it is.

REPSONSE, HMHD: The Respondent disagrees wholly with the finding.

The Grand Jury's conclusions are incorrect and are without merit. The Grand Jury's conclusion are based on erroneous factual determinations and are intentional and/or negligent distortions of fact. All of

HMHD's activities and expenditures are health related and are intended to better the health and safety of the residents of the Healthcare District.

The District has partnered with El Centro Regional Medical Center, Pioneers Memorial Healthcare District, Clínicas de Salud del Pueblo, the University of California San Diego, the Southern California School of Dentistry, the City of Calexico, the American Cancer Society, the Cancer Resource Center of the Desert, St. Paul's of San Diego, the Mexican Consul in Calexico to provide health care services for the community of the Healthcare District.

HMHD is a partner with the City of Calexico in the Calexico Special Financing Authority (Joint Powers Authority) which manages the HMHD's funds that were derived from the District's ½ sales tax initiative passed by the District in the 1990's.

The funds held by the Joint Powers Authority are for the exclusive use by the HMHD. The HMHD continues to fund health care related projects through the Joint Powers Authority. The funds administered by the Joint Powers Authority are for the use and benefit of the HMHD.

The majority of HMHD's partnerships continue in operation today providing healthcare services to the residents of the Healthcare District. There are many practical and urgent healthcare issues that exist in the Healthcare District community and HMHD is providing healthcare services that meet these healthcare issues. HMHD is expanding its healthcare services and will continue to provide healthcare services to the residents of the District.

RESPONSES TO RECOMMENDATIONS:

Recommendation #1. HMHD open up all books and records related to MegaPark real estate dealings to the public, with a copy to next years' ICGJ panel (2014-2015) for consideration of further review. These would include evidence of legal property transfers and records made.

REPSONSE, HMHD: The recommendation will not be implemented because it is not warranted and is not reasonable.

HMHD has provided all of its "books and records related to MegaPark real estate dealings to the public" to the Grand Jury.

The records are public information and are public records and are available to all members of the public. These records and documents are open to inspection and copying by anyone at any time.

The Grand Jury has demonstrated a failure to understand the "books and records" related to MegaPark LLC. The Grand Jury cannot understand that the purchase agreement with MegaPark LLC was a contingent purchase agreement whereby the property would not be purchased by HMHD unless special conditions were met by MegaPark LLC. MegaPark LLC failed to meet the special conditions required of them under the purchase agreement and therefore, HMHD terminated the purchase agreement.

Therefore, no "evidence of legal property transfers and records made" exist and cannot be provided because, simply put: the property was never purchased. The purchase agreement deposit is currently

the subject of litigation between HMHD and MegaPark LLC. The purchase agreement authorizes the return of the purchase deposit to HMHD by MegaPark LLC and is secured by a note and a deed of trust on MegaPark LLC's property.

Nonetheless, any request by any citizen or the 2014-2015 ICGJ for "books and records related to MegaPark real estate dealings..." will be provided by the HMHD because they are public records.

Recommendation #2. HMHD should provide a full and detailed explanation as to where and how the funds were actually spent, who received what money, and who has what rights to the property in question presently.

RESPONSE, HMHD: The recommendation will not be implemented because it is not warranted and is not reasonable.

The purchase agreement with MegaPark LLC explains the expenditure of the funds used by HMHD for the purchase deposit. The purchase agreement deposit of \$500,000.00 was paid to MegaPark LLC. A copy of the check issued by HMHD for the purchase deposit has been attached to this Response. The check was made payable to MegaPark LLC.

The purchase agreement deposit was refundable to HMHD if the agreement's special conditions were not met by MegaPark LLC. The agreement was terminated by HMHD and HMHD is currently litigating the return of the purchase agreement deposit in the amount of \$500,000.00 from MegaPark LLC.

The Grand Jury fails to understand the language of the purchase agreement. The Grand Jury fails to understand that HMHD did not purchase any property under the purchase agreement. The property is owned by MegaPark LLC. The HMHD did not buy the property because MegaPark LLC did not perform the special conditions required under the agreement.

Recommendation #3. HMHD should explain why they spent such a high percentage of tax payer funding on things not directly related to healthcare and take immediate steps to resolve questionable spending practices, if they are to remain to be a public hospital/healthcare district.

RESPONSE, HMHD: The recommendation will not be implemented because it is not warranted and is not reasonable.

HMHD does not spend a high percentage of tax payer funding on non-health related matters. The factual determination by the Grand Jury is false and therefore their conclusion is false and without merit. The Grand Jury has intentionally and/or negligently distorted or misrepresented the facts to reach their erroneous conclusions. The Grand Jury recommendation is not supported by factual evidence and their recommendation is meritless.

HMHD has utilized its funding on health related issues. HMHD's expenditures have complied with California Health and Safety Code section 32121. Each expenditure questioned by the Grand Jury is specifically authorized by section 32121. The Grand Jury does not set policy for HMHD. The Board of Directors sets policy and authorizes expenditures pursuant to the authority of Health and Safety Code section 32121.

Recommendation #4. HMHD voluntarily open themselves up to a forensic audit of all banking and all other financial record keeping for the last five (5) years.

RESPONSE, HMHD: The recommendation will not be implemented because it is not warranted and is not reasonable.

For the past five years, HMHD has audited its financial books and banking transactions. The audits have been performed by California Certified Public Accountants. These audits are public records and are open to inspection by anyone. The audits have never found any improprieties in HMHD's banking and financial recording keeping for the last 5 years. This Grand Jury recommendation is not supported by any factual evidence and is premised on distorted and erroneous conclusions. Further, the Joint Powers Authority has had their financial transactions audited and a copy of their audit is attached to this Response for your review.

Recommendation #5. The HMHD board voluntarily dismantle itself.

- a. The HMHD turn over all records to the Imperial County-California Association of Local Agency Formation Commission.
- b. The HMHD should freeze all assets and turn them over to the Imperial County Auditors' Office for review and necessary payment to vendors, and other legal bills.

RESPONSE, HMHD: The recommendation will not be implemented because it is not warranted and is not reasonable.

The recommendation is without merit and is absurd. The Grand Jury investigation and report is predicated on falsehoods and errors. Its conclusions are not supported by factual evidence and facts are distorted or intentionally misrepresented. The findings and recommendations lack credibility.

Intentional falsehoods are included in the report thereby undermining the credibility of the entire report.

The Presiding Judge of the Superior Court should remove the report submitted on the HMHD by the Grand Jury from the official records and proceedings of the 2013-2014 Grand Jury because of the negligent and/or intentional misrepresentations contained in the report.

**SPECIFIC COMMENTS BY HEFFERNAN MEMORIAL HEALTHCARE DISTRICT ON THE GRAND JURY
REPORT AND INVESTIGATION OF THE HMHD**

The Heffernan Memorial Healthcare District responds to specific allegations made by the Imperial County Grand Jury (2013-2014) in its report prepared and filed June 30, 2014.

The Grand Jury report contains numerous errors, inaccuracies, falsehoods, false assumptions and misrepresentations. What follows is the District's response to the numerous errors and distortions of the Grand Jury report.

These specific comments by HMHD follow the outline of the investigation report submitted by the Grand Jury:

Under the heading of **BACKGROUND** the Grand Jury states that a complaint had been filed with the previous year's Grand Jury with allegations of misuse of funds.

1. HMHD was **never** informed by the previous Grand Jury of any complaint filed against the HMHD concerning allegations of misuse of funds.

- a. The Grand Jury states that HMHD was in "non-compliance from the prior year." This is false. The prior Grand Jury did not investigate the HMHD. The prior Grand Jury inquired regarding HMHD's lack of response to the 2009-2010 Grand Jury report.

Specifically, the Foreperson of the 2012-2013 Grand Jury advised HMHD by letter dated May 1, 2013 that HMHD had not responded to the recommendations of the 2009-2010 final report of the Grand Jury. HMHD responded by letter to the Foreperson that the District had indeed responded to the Grand Jury and to the Presiding Judge. A copy of the Grand Jury letter dated May 1, 2013 is attached to this Response for your review and a copy of the HMHD's response letter dated May 17, 2013 is also attached for your review.

- b. The 2012-2013 Imperial County Civil Grand Jury final report does not list HMHD as an agency that was investigated by the Grand Jury. The only reference to the HMHD is in Appendix B of the 2012-2013 Grand Jury final report under the title of HMHD Response to the 2009-2010 IC Civil Grand Jury Final Report.
- c. There was compliance by HMHD in providing the requested response to the 2012-2013 Grand Jury. For the 2013-2014 Grand Jury to allege that HMHD was non-compliant is false and a distortion of the facts.

2. Under the heading of **INVESTIGATION** the Grand Jury alleges that HMHD board members receive "**personal health insurance**".

This allegation is false and incorrect. There is no possible way the Grand Jury could have determined that board members receive personal health insurance. There is no evidence of any payments by HMHD for board member health insurance. Board members have never received personal health insurance. This allegation is so outrageously false that it borders on intentional

misrepresentation and distortion of the facts.

3. Under the heading of **INVESTIGATION** the Grand Jury alleges that HMHD pays its attorney an average of \$9,200.00 per month.

HMHD has employed two law firms to represent the District in the last five years.

For the Fiscal Year ending in June 2014, the average monthly payment for attorney fees by the District was \$2892.00 and not \$9,200.00 per month. For the Fiscal Year ending in June 2013, the average monthly payment for attorney fees by the District was \$2935.00 and not \$9,200.00 per month. These averages were for services provided by the District's current attorney, Eduardo Rivera. Mr. Rivera was employed in Fiscal Year 2013.

For the Fiscal Year ending June 2012, the average monthly payment for attorney fees was \$6,421.00. For the Fiscal Year ending June 2011, the average was \$7142.00. For the Fiscal Year ending June 2010, the average was \$8,098.00. These averages were for services provided to the District by the District's prior attorney, Orlando Foote of Horton, Knox, Carter and Foote. During these fiscal years, the District was involved in protracted litigation and litigation fees were incurred.

During these years the District did not pay its attorney \$9200.00 per month.

The Grand Jury's allegations of monthly attorney's fees of \$9200.00 are false and erroneous. This allegation is an intentional distortion and misrepresentation of the facts and is not supported by any facts.

4. Under the heading of **EXPENSES** the Grand Jury alleges that "Records show 94% of the District's budget is consumed by administrative fees". This allegation is false.
 - a. The Grand Jury again alleges that Board members are paid health insurance. This is not true and is a falsehood. The Grand Jury alleges that the District pays \$17,000.00 per board member per year for health insurance for a total expenditure of \$85,000.00 per year for board member health insurance. This is false and untrue. The Grand Jury cannot produce any proof of payment by HMHD for board member health insurance. How can the Grand Jury come to this conclusion since HMHD board members have never had health insurance paid by the District. This allegation is an intentional misrepresentation by the Grand Jury.
 - b. The Grand Jury alleges that HMHD spent money on flowers and that "Flowers were ordered on a regular basis with no explanation given as to the reason for them".

During the last 5 years, HMHD has paid \$426.25 for flowers. The flowers were purchased in memory of doctors and health professionals that passed away during the last five years. The average annual expense for flowers paid for by the District for the last five years was \$85.25.

- c. Board members are paid travel expenses for mileage and food expenses as permitted by Health and Safety Code section 32121. Board members always provide receipts for any

expenses incurred in the course of their board duties.

- d. The Grand Jury alleges that the District spends \$650.00 per month on landscaping.

This allegation is false and is an intentional misrepresentation of the facts. HMHD does not pay for any landscaping costs whatsoever. The last time the District paid a landscaping fee was in March of 2009. The District at that time was leasing the Calexico Hospital facilities from the City of Calexico. The facilities required maintenance and upkeep. The fee in 2009 was for janitorial and yard services for the Calexico Hospital facility. Currently, the District does not pay any landscaping fee for its District office.

The District has the maintenance done by a local nonprofit community service organization in exchange for the use of the District office for the organization's meetings.

- e. The Grand Jury alleges that the District granted "a \$2500.00 donation for a board member's granddaughter's softball team". The allegation is false.

The HMHD made a \$2500.00 donation to the Desert Sun Girls Softball League that did not have as a member "a board member's granddaughter".

A \$1500.00 donation was made by the District to the Calexico High School varsity girls' softball team where a board member's granddaughter was a member. The board member disqualified herself from participation and did not vote on the matter.

The Grand Jury reports fails to disclose the disqualification of the board member and attempts to distort the facts. The Grand Jury attempts to portray the board member as voting in a matter in which she had a conflict of interest. This allegation is an intentional distortion of the facts and is false.

- f. The Grand Jury erroneously states that Attorney Frank Oswald is the Calexico City Attorney and that he serves as the JPA attorney. Mr. Oswald is not the Calexico City Attorney.

5. **AMBULANCE PURCHASES:** The Grand Jury states that "HMHD had claimed an ambulance purchase for the Calexico Fire Department. The records show...this is true, but records also show that HMHD was reimbursed for that cost".

HMHD has made numerous contributions for ambulance purchases and other equipment to the Calexico Fire Department. Also HMHD has made purchases for heart defibrillators for the Calexico Police Department patrol units.

The basic misunderstanding by the Grand Jury is the relationship between the District and the Joint Powers Authority. The funds held by the JPA belong to the District and are to be used by the District to provide health related services to District residents. The District was not reimbursed for the money spent on ambulances for the Calexico Fire Department since it was HMHD's money from the start.

6. **MEGAPARK:** The Grand Jury report is incredulously ignorant in its analysis of the MegaPark purchase agreement.

Mega Park LLC was the owner of property which HMHD was interested in purchasing for a medical services campus.

The HMHD purchase agreement with MegaPark LLC was a contingent purchase agreement. MegaPark LLC had to meet certain deadlines before HMHD would be contractually obligated to purchase the property. MegaPark LLC did not meet the deadlines imposed by the purchase agreement. HMHD therefore did not buy the property contemplated in the purchase agreement. HMHD paid a purchase money deposit in the amount of \$500,000.00. The money was paid to MegaPark LLC. The deposit was contractually allowed to be used by MegaPark LLC. The deposit amount was secured by a note and a deed of trust on MegaPark LLC property.

The Grand Jury in its report makes the following statement: "The unsecured property purchase from MegaPart LLC..." which is incorrect.

As indicated above, the property was not purchased. The purchase deposit was secured by a note and a deed of trust on MegaPark LLC property. Therefore this statement by the Grand Jury is wrong and false.

The Grand Jury furthers states that the money was given to Phil Heald. This statement is wrong and false. The purchase money deposit was paid via check to MegaPark LLC. Sun Community Federal Credit Union check number 1418 clearly shows the payee as MegaPark LLC with the check memo stating "option purchase agreement". This is an intentional misrepresentation by the Grand Jury of the facts in the MegaPark LLC transaction. A copy of the HMHD check has been attached to this Response for your review.

The funds for the purchase agreement deposit were obtained from the Joint Powers Authority because these funds were for the benefit of the HMHD. All funds administered by the JPA are to be used by the HMHD for health related purposes. The proposed purchase of the MegaPark LLC property was for a medical services related campus to be developed by HMHD. The Grand Jury fails to understand this basic tenet in the financial relationship between HMHD and the JPA. All JPA funds are for the use and benefit of the HMHD and the activities authorized by Health and Safety Code section 32121.

7. **PARAGRAPH A:** "The wine and dine" argument adopted by the Grand Jury in its report is absurd and unprofessional. The proposed land purchase was for a medical services campus to serve the community. The purchase price and agreement were negotiated in good faith. The statement advanced by the Grand Jury is without merit and without factual evidence.
8. **PARAGRAPH B:** The Grand Jury states: "The ICGJ found no evidence of any effort from HMHD to follow up on the ownership of the property". It further states: "The ICGJ committee was not able to see evidence from what was presented that the purchase of the property was ever recorded or that the property was ever intended to be transferred to HMHD ownership. That left questions as to what may have actually transpired".

It is unbelievable that the Grand Jury can be so ignorant of the facts after reviewing, reading and studying the MegaPark LLC purchase agreement. The purchase agreement was written in the English language. The property was never purchased by HMHD from MegaPark LLC.

Therefore, since HMHD did not purchase the property there can be "no purchase of the property to be recorded".

The purchase agreement clearly states that upon completion of all the mandatory requirements by MegaPark LLC, contained in the purchase agreement, the property would be purchased by HMHD. MegaPark LLC failed to meet its contractual obligations and requirements under the purchase agreement and HMHD terminated the contract to purchase the property.

If the Grand Jury would have read the purchase agreement between HMHD and MegaPark LLC, it would not make such ludicrous statements like "That left questions as to what may have actually transpired".

This unbelievable recital of erroneous facts can lead to only one conclusion...the Grand Jury did not read the purchase agreement or was unsophisticated in its analytical ability...or the Grand Jury intentionally distorted the truth and the facts for some unknown ulterior motive.

PAGE 47 A: The Grand Jury again re-alleges that HMHD spends 94 % of its annual fiscal budget on board stipends, staff, overhead, consultants and legal fees.

All documents requested were provided to the Grand Jury. The Grand Jury is mistaken in its assumption that HMHD spends 94 % of its annual fiscal budget on the above listed matters.

HMHD for the past three fiscal years has contributed in excess of \$300,000.00 annually to maintain the 24 hour Urgent Care Clinic located at the Calexico Hospital facilities in partnership with Pioneers Memorial Healthcare District. HMHD receives approximately \$750,000.00 in annual property tax revenues. Simple math clearly demonstrates that for the past three fiscal years, HMHD has spent approximately 40 % of its annual budget on the 24 hour Urgent Care Clinic in Calexico for the use and benefit of the District's residents.

HMHD did spend \$150,000.00 annually for consultants. The contract with the consultants has been terminated in May of 2014. HMHD utilized its consultants to obtain grants, projects and services for the District's resident. Legal fees in the amount of \$9200.00 are not incurred by the District and this figure is incorrect and erroneous. The average monthly legal fees for the past two years have been \$2800.00.

The Grand Jury fails to provide any documentary evidence for arriving at its erroneous and false conclusions. Its conclusions therefore lack credibility.

PAGE 47 B: The Grand Jury again makes the false allegation that Board members receive personal health insurance.

HMHD Board members do not receive personal health insurance. HMHD Board members have never received personal health insurance. It is unknown how the Grand Jury arrived at this conclusion since there is no documentary evidence to support such an absurd and unsubstantiated conclusion.

There were no personal loans of public funds made by the District. Also there were no "extra work" checks issued to Board members over their monthly stipends. At no time did the Grand

Jury provide any documentary evidence to substantiate these erroneous allegations.

All Board member expenses and advances for trips were authorized by the HMHD Board. Receipts were provided by Board members for any trip expenses and advances made to the Board. Not once in the approximately 10 months of the Grand Jury investigation did the Grand Jury request a copy of all receipts for any and all Board trips. The Grand Jury failed to ask for information that they needed.

THE MARCH 2012 \$1330.00 MEAL: The Grand Jury alleges that the Board spent \$1330.00 on one Board meal in March of 2012.

The Grand Jury failed to ask for documentation for the March 2012 expenditure characterized as "a meal at a local restaurant".

HMHD received a grant to provide a telemedicine program (endocrinology/diabetes care) to the District community in the amount of approximately \$50,000.00. The grant was coordinated and supervised by UC San Diego Medical Center's telemedicine department and Clinicas de Salud's Calexico office under the sponsorship of HMHD. The grant provided for an initial orientation meeting between UC San Diego Medical Center, Clinicas de Salud, and other Imperial Valley medical professionals and organizations. The grant provided for an orientation and dinner reception/business meeting to introduce the telemedicine services to the medical community servicing the District.

The \$1330.00 expense was not for a HMHD Board meal as the Grand Jury determined. The \$1330.00 expenditure was for approximately 35 attendees at the orientation meeting for the telemedicine endocrinology program for District patients where dinner was provided to the attendees. The expenditure was covered by the Grant funds and not from the general fund of HMHD.

Why did the Grand Jury not ask for information regarding this expenditure? Why was the question never asked in the approximately 3 to 4 hours of meetings between the committee of the Grand Jury and HMHD? The only explanation is that the Grand Jury was not interested in facts but was involved in a malicious endeavor to defame the members of the HMHD Board of Directors.

PAGE 47 D: The Grand Jury alleges that the HMHD's bookkeeper and clerk are paid \$300.00 per hour.

California Health and Safety Code section 32121 allows the District to contract for services including bookkeeping and board clerk services. The Grand Jury assumes that the independent contractors the District employs as its bookkeeper and board clerk work 2 hours per month.

The bookkeeper and board clerk are paid a monthly fee of \$950.00 and \$600.00 respectively. Therefore the Grand Jury concluded that at 2 hours per month of work, these individuals are therefore paid \$300.00 per hour. (Ironically, the Grand Jury's math is incorrect as to the bookkeeper. The bookkeeper using the Grand Jury's rationale is actually paid \$475.00 per hour).

The bookkeeper and board clerk obviously work in excess of 2 hours per month.

The bookkeeper prepares all accounting, bank reconciliations, prepares monthly treasurer's reports, prepares all District checks, and reviews all invoices and all other monthly financial information and reports. She works in excess of 40 hours per month as an independent contractor.

The board clerk prepares all agendas, minutes and provides secretarial services for the District. She answer all correspondence, provides access to the District office and provides all information to the Board members during the month. She attends all board meeting. The Board clerk is an independent contractor and works in excess of 40 hours per month.

The Grand Jury's conclusion as to the \$300.00 per hour payment to the District's bookkeeper and board clerk is false and is a maliciously misrepresentation of the facts.

PAGE 47 E AND F: The Grand Jury makes allegations about the Districts bank accounts and concludes that "...in the research that the committee did, it did not see that having multiple bank accounts have any purpose other than to cast a shadow of doubt on the accounting practices of this board".

The Grand Jury never met with the Board. The Grand Jury is therefore, not truthful when it alleges that "the jury committee asked the board the amount of money the district had in the bank" and no board member knew the amount of money in the bank.

The Grand Jury committee met with 2 board members when formal sessions were held. A simple request for the account balances from the Grand Jury was all that was necessary to provide this information. It is true that the 2 board members did not have specific recollection as to the District bank balances.

Yet, the Board prepares a monthly treasurer's report with all account balances of all of its accounts. The Grand Jury never asked for monthly treasurers reports. The entire subject of multiple bank accounts is a bad faith effort by the Grand Jury to defame and besmirch the HMHD board of directors.

The treasurer's reports are public documents and public information. Any individual can obtain a copy. Any organization or news agency can obtain a copy.

Multiple bank accounts are simply multiple bank accounts that are maintained for federally protected deposit insurance purposes, higher interest rates, convenience and the placing of public funds in various local banks. THERE IS NO IMPROPER OR ILLEGAL PURPOSE IN THIS PRACTICE.

The Grand Jury has acted in bad faith and for a malicious purpose in arriving at these erroneous conclusion. This allegation is a perfect example of the unprofessionalism of the Grand Jury committee that investigated the HMHD and the entire Grand Jury in adopting the recommendations of its committee.

PAGE 47 G: The Grand Jury allegation of the District's monthly legal expense of \$9000.00 is absurd and incorrect.

HMHD has employed two law firms to represent the District in the last five years. For the Fiscal Year ending in June 2014, the average monthly payment for attorney fees by the District was \$2892.00 and not \$9,200.00 per month. For the Fiscal Year ending in June 2013, the average monthly payment for attorney fees by the District was \$2935.00 and not \$9,200.00 per month. These averages were for services provided by the District's current attorney, Eduardo Rivera. Mr. Rivera was employed in Fiscal Year 2013.

For the Fiscal Year ending June 2012, the average monthly payment for attorney fees was \$6,421.00. For the Fiscal Year ending June 2011, the average was \$7142.00. For the Fiscal Year ending June 2010, the average was \$8,098.00.

These averages were for services provided to the District by the District's prior attorney, Orlando Foote of Horton, Knox, Carter and Foote. During these fiscal years, the District was involved in protracted litigation and litigation fees were incurred.

The Grand Jury's allegations of monthly attorney's fee payments of \$9000.00 are false and erroneous. This allegation is an intentional distortion of the facts and is not supported by any facts.

PAGE 47 H: The Grand Jury alleges that HMHD made a \$10,000.00 donation to the "rehab of the city swimming pool" after it was denied by the Joint Powers Authority.

This allegation is false and incorrect. HMHD has never made any donation to the "rehab of the city swimming pool".

The HMHD provided a donation to the Calexico Recreation Department for swim lessons for Calexico district children. A copy of the letter from the City of Calexico is attached to this response for your review detailing the contributions made by the HMHD. The letter states that in 2009, the swim contribution was made by the HMHD. This was years before the earthquake destroyed the Calexico swimming pool.

The Grand Jury failed to properly and adequately investigate this allegation and arrived at its conclusion without consultation with HMHD. The District would have correctly informed the Grand Jury committee that the donation was for a "healthcare related purpose". Yet the Grand Jury committee failed to ask for clarification and information on this item during its 10 month investigation of the HMHD.

The erroneous conclusion of the Grand Jury concerning a \$2500.00 donation to the softball team of a board members granddaughter has been addressed earlier. The Grand Jury was unprofessional in its investigation of this matter.

The Grand Jury failed to include in its report that the Board member disqualified herself from participation in the donation to the high school girls' softball team in the amount of \$1500.00.

HMHD has determined that youth recreational programs constitute "healthcare related" activities. This is a policy determination that is authorized by Health and Safety Code section 32121. The Grand Jury does not set or does it have authority to mandate District policy.

The Grand Jury was provided with all records requested. The Grand Jury failed to conduct its investigation in a professional manner. As stated earlier, the Grand Jury failed to ask simple questions regarding matters which they were investigating. They failed to provide any written requests for matters that eventually were included in the final report on HMHD.

The Grand Jury refused to meet with HMHD. Beginning in February of 2014, HMHD placed on its regular agenda a line item on the Grand Jury for public discussions in the hope that the Grand Jury committee would attend its regular meeting and ask any questions that they desired. The Grand Jury committee never showed up at the regular public meeting.

The Grand Jury committee advised HMHD that they would meet before the final report was prepared. The Grand Jury failed to meet with HMHD. The Grand Jury committee was unprofessional and uncooperative.

An example of the Grand Jury's unprofessionalism is their use of a 2001 newspaper article quoting a prior board members criticism of the Board in 2001. The Grand Jury accepted this dated hearsay opinion as fact. This "hearsay" is adopted by the Grand Jury as justification for the District's dissolution.

CONCLUSION

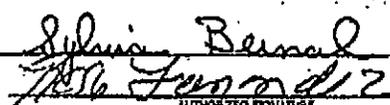
The Board of Directors of the Heffernan Memorial Healthcare District rejects the findings and determinations of the investigation of the District which was conducted by the 2013-2014 Imperial County Civil Grand Jury. It will not follow any of the recommendation suggested by the Grand Jury because they were arrived at through bad faith, error, falsehoods and intentional distortions of the facts. The report is unprofessional and unethical. The maliciousness of the intentional distortions of the truth borders on the criminal. The report is dishonest. The report is an embarrassment to the institution of the Imperial County Civil Grand Jury system.

Sincerely,



Rosie Fernandez, Board President for
The Heffernan Memorial Healthcare District
Board of Directors

Date	: 26-May-2009	BatID	: 990030002
DIN	: 990001489	WSrc	: 20
Amount	: 500000.00	TC	:
Account	: 004692880	RT	: 322275296
Fld5	:	Aux	: 1418
OnUs	: 004692880/1418	AuxOnUs	:
Fld9	:	Fld10	:
Fld12	: 0	TranID	: 6
ItemType	: 1	Cat	: 20
Distrib	: 20	BunID	: 7
BunSeqNo	: 0		

HEFFERNAN MEM HOSP DIST. ROSIE L. FERNANDEZ N3690397 450 BIRCH STREET CALEXICO, CA 92231		SUN COMMUNITY FEDERAL CREDIT UNION. 90-75297222		1418 5-22-09
PAY TO THE ORDER OF <u>Calexico Mega Park, LLC</u>		\$ 500,000.00		
<u>Five hundred Thousand &</u>		<u>No/100</u>		DOLLARS
MEMO <u>Options Purchase Payment</u>		 AUTHORIZED SIGNATURE		
⑆322275296⑆ 004692880⑆ 1418				

FEDERAL RESERVE BOARD OF GOVERNORS REG. CC	290210733 DESERT COMMERCIAL 05/22/2009 Sun Community FCU InClearings 990001489 05/26/2009 00990030002	ENDORSE HERE Credit to the Account of The Within Named Payees Absence of Endorsement Guaranteed Desert Commercial Bank LLC MEMBER OF THE FEDERAL RESERVE SYSTEM 20090522 05/22/2009
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THE LAW OFFICES OF
EDUARDO A. RIVERA
430 MARY AVENUE - P.O. BOX 1587
CALEXICO, CA 92231 * (760) 357-6801 FAX (760) 357-1120

May 17, 2013

Lee A. Buckingham, Foreperson
Imperial County Civil Grand Jury
POB 2011
El Centro, CA 92243

Re: Heffernan Memorial Healthcare District
Response to 2009-2010 Imperial County
Grand Jury Final Report

Dear Mr. Buckingham:

The Heffernan Memorial Healthcare District Board of Directors acknowledges receipt of your May 1, 2013 letter requesting a response to the 2009-2010 Final Report of the Grand Jury.

The Board of Directors has authorized me to respond to your letter on behalf of the District.

Enclosed for your consideration is the Response prepared on February 25, 2010 by the Heffernan Memorial Healthcare District. The response was mailed to the Foreperson and to Judge Yeager. The Response addresses all of the issues that were identified in the Grand Jury report. It appears that the Response was misplaced by the Grand Jury or in some manner failed to materialize in the Grand Jury's files. The Heffernan Memorial Healthcare District complied with the Grand Jury request prior to the September 30, 2010 deadline by responding in a timely fashion.

It appears that your request is moot and no further action is required in this manner. If you have a different opinion, please let the District know and the District will provide any further assistance that you may require in this matter.

Thank you for your courtesies and if you have any further questions, please contact my office. My email is: eduardo_a_rivera@yahoo.com.

Atentamente,


Eduardo Rivera
Attorney for the Heffernan Memorial Healthcare District
Cc: HMHD Board of Directors

Attachment: February 25, 2010 Response to Grand Jury Final Report

5/07/2013
K



Courthouse
P.O. Box 2011
El Centro, CA 92244

Imperial County Grand Jury

May 1, 2013

Heffernan Memorial Hospital District Board
101 W. Hacienda Drive
Suite 9
Calexico, CA 92231

re: Heffernan Memorial Hospital District response to the 2009-2010 Imperial County Civil Grand Jury Final Report

Dear Board Members

It was brought to the attention of the 2012-2013 Imperial County Civil Grand Jury that the Heffernan Memorial Hospital District did not respond to the recommendations of the 2009-2010 Civil Grand Jury Final Report as requested by September 30, 2010.

We are enclosing a copy of that report for your convenience in gathering material to assist you to complete a timely response to our request no later than June 1, 2013. We are also sending a letter to the Heffernan Memorial Hospital Board Attorney, Eduardo Rivera, so he may assist you to with this request. Thank you for your prompt response to this urgent matter.

Sincerely,

Lee A Buckingham, Foreman
Imperial County Civil Grand Jury
PO Box 2011
El Centro, Ca 92244

EDUARDO A. RIVERA

Attorney at Law

430 MARY AVENUE – P.O. BOX 1587

CALEXICO, CA 92231 * (760) 357-6801 FAX (760) 357-1120

July 2, 2013

Larry Bratton
Calexico MegaPark, LLC
598 W. Main Street
El Centro, CA 92243

**Re: The Amended and Restated Purchase Agreement and Joint Escrow Instructions
Between Calexico MegaPark, LLC and the Heffernan Memorial Healthcare District
Dated February 28, 2011**

Dear Mr. Bratton:

The February 28, 2011 Amended and Restated Purchase Agreement between the parties was entered into with high expectations for successful completion and development of the party's respective projects. The parties realized that the development process was going to be long and arduous.

The Heffernan Memorial Healthcare District wishes Calexico MegaPark, LLC the best and desires that the MegaPark project succeed.

MegaPark granted the Heffernan Memorial Healthcare District the ability and right to terminate the Agreement if the project did not meet certain deadlines for Entitlement approval. These understandings between the parties were memorialized in section 6.1.6 of the Agreement.

MegaPark granted the Heffernan Memorial Healthcare District the ability to terminate the Agreement if the Tentative Map was not approved by the City of Calexico on or before October 11, 2012. The Tentative Map was not approved on or before October 11, 2012 by the City of Calexico.

MegaPark also reserved for itself an outside date of June 30, 2013 for the approval of the Tentative Map if the Tentative Map had not been approved due to delays outside of its control. Heffernan Memorial was never advised by MegaPark that the Tentative Map approval had been delayed because of these circumstances.

The parties also realized and agreed that time was of the essence as to all terms, conditions, obligations and provisions of the Agreement.

Heffernan Memorial desires the best for the MegaPark project, but at this time wishes to terminate its Agreement with MegaPark pursuant to Paragraph 6.1.6.

The Tentative Map, zoning reclassifications, general plan amendment, the EIR and the Final Map have not been approved by the dates agreed upon by the parties specifically October 11, 2012. Heffernan was never notified of undue delays in the approval process by MegaPark that were outside of its control thereby extending the approval date to June 30, 2013. The required approvals have not been obtained by MegaPark by the agreed upon date.

Heffernan therefore provides notice of its termination of the February 28, 2011 Amended and Restated Purchase Agreement and Joint Escrow Instructions with MegaPark, LLC, effective July 1, 2013.

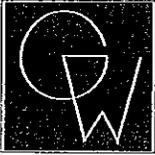
Heffernan respectfully requests that MegaPark, LLC return Heffernan's deposit of \$500,000.00 as soon as possible.

Atentamente,


Eduardo Rivera
Attorney for the Heffernan Memorial Healthcare District.

Cc: J. Tim Konold, Esq.
Higgs, Fletcher & Mack LLP
401 West "A" Street, Suite 2600
San Diego, CA 92101

Chicago Title Insurance Company
1196 W. Main Street
El Centro, CA 92243



George J. Woo
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Calexico Special Financing Authority
Calexico, California

I have audited the accompanying financial statements of the Calexico Special Financing Authority for the three years June 30, 2013 and the related notes to the financial statements, which collectively compromise the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

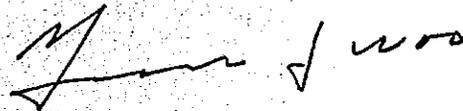
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Calxico Special Financing Authority as of June 30, 2011, June 30, 2012 and June 30, 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

September 15, 2014

A handwritten signature in black ink, appearing to read "M. J. ...", is written over a faint, illegible stamp or watermark.



CITY OF CALEXICO

608 Heber Avenue
Calexico, CA 92231
www.calexico.ca.gov

July 10, 2014

To Whom It May Concern:

The City of Calexico's Recreation Department has been working with the Heffernan Memorial Healthcare District for the past 5 years by promoting and funding the Senior Health and Wellness Program. It is a program for Senior citizens, 55 years and older, that encourages healthy lifestyle choices, exercise, and nutrition classes. The HMHD has been the main funder of this program for the past 5 years. We offer exercise classes that help Seniors stay active and mobile. We also offer health and nutrition classes that help Senior make better choices that lead to living a healthier lifestyle. We also offer fun activities such as arts and crafts and games that keep the Seniors busy and making use of their cognitive and fine motor skills. During the past year, the Senior Health and Wellness Program offered daily activities that reached 22,401 participants. We offer services at the Calexico Community Center and visit 5 Senior citizen apartment complexes each week. Our program runs for 11 months each year.

HMHD has also been a sponsor of our Annual Senior Health Fair. We are able to offer free flu shots to Seniors through this sponsorship. Each year we attract between 500-600 Seniors to this event, where they receive a myriad of information about health resources, along with their flu shot.

Additionally, in the past the Heffernan Memorial Healthcare District has helped the Recreation Dept. with funding for activities at the pool. In 2009, they helped pay for classes such as water aerobics, lap swim, free swim time for kids of all ages, and Family Nights at the Pool to encourage staying active during the hot summer months.

We are very grateful for Heffernan Memorial Healthcare District's continued participation and fiscal support of our Senior Health and Wellness Program and the various recreation programs over the years. Without their assistance, we would not be able to maintain the level of service that we provide. They are contributing to the health and wellness resources available in our community!

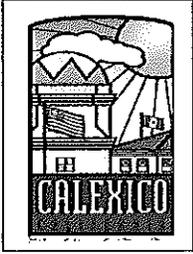
Sincerely,

Sandra Tauler
Community Services Director

Viva Calexico!

**AGENDA
ITEM**

2



AGENDA STAFF REPORT

DATE: October 7, 2014

TO: Mayor and City Council

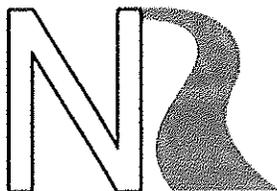
APPROVED BY: Richard N. Warne, Interim City Manager *REW*

PREPARED BY: Aracely Saucedo, Executive Director
Calexico New River Committee

SUBJECT: Presentation by Aracely Saucedo, Executive Director of
Calexico New River Committee regarding New Projects.

=====

Presentation of New River Committee Projects will be provided by Ms. Aracely Saucedo, Executive Director of the Calexico New River Committee.



CALEXICO NEW RIVER
COMMITTEE

P.O. Box 2374 Calexico, CA 92231 PH. (760) 357-8389 Fax (760) 357-8779
E-mail: clxnewriver@gmail.com

Implementing the New River Improvement Project Strategic Plan: 2014-2017 Priorities

Vision of the New River Improvement Project Strategic Plan:

The New River is a healthy river corridor that serves as an asset to the people, communities, ecosystems and agricultural industry of the Imperial Valley.

Strategic Plan Goals:

Improve Public Health: A restored and transformed New River corridor provides a safe, healthy and accessible recreational resource for local communities.

Transform the Ecology: Improved water quality, habitat and river corridor conditions in the New River support a healthy aquatic and riparian ecosystem and supplies water that contributes to the restoration of the Salton Sea and its delta.

Strengthen the Economy: The New River is an aesthetic and environmental amenity that enhances community development opportunities and benefits agricultural activities throughout the Imperial Valley.

Near-Term Implementation Projects and Funding Needs:

- Complete the New River Parkway and Bike Path Project in Calexico
Estimated Cost: \$1 million
- Install trash collection and removal system in the New River at the CA-MX Border
Estimated Cost: \$3-4 million
- Plan and conduct water treatability studies that test the effectiveness of various commercial ozonation-based technologies for treating New River pollutants
Estimated Cost: \$200,000
- Develop a specific recommendation and cost analysis for the conveyance and disinfection treatment facility and determine the best location for returning treated water flows to the New River channel
Estimated Cost: \$300,000
- Host a cross-border summit with federal, California and Mexican agencies and NGO's to improve regulatory and funding programs to achieve Strategic Plan Objectives
Estimated Cost: \$50,000

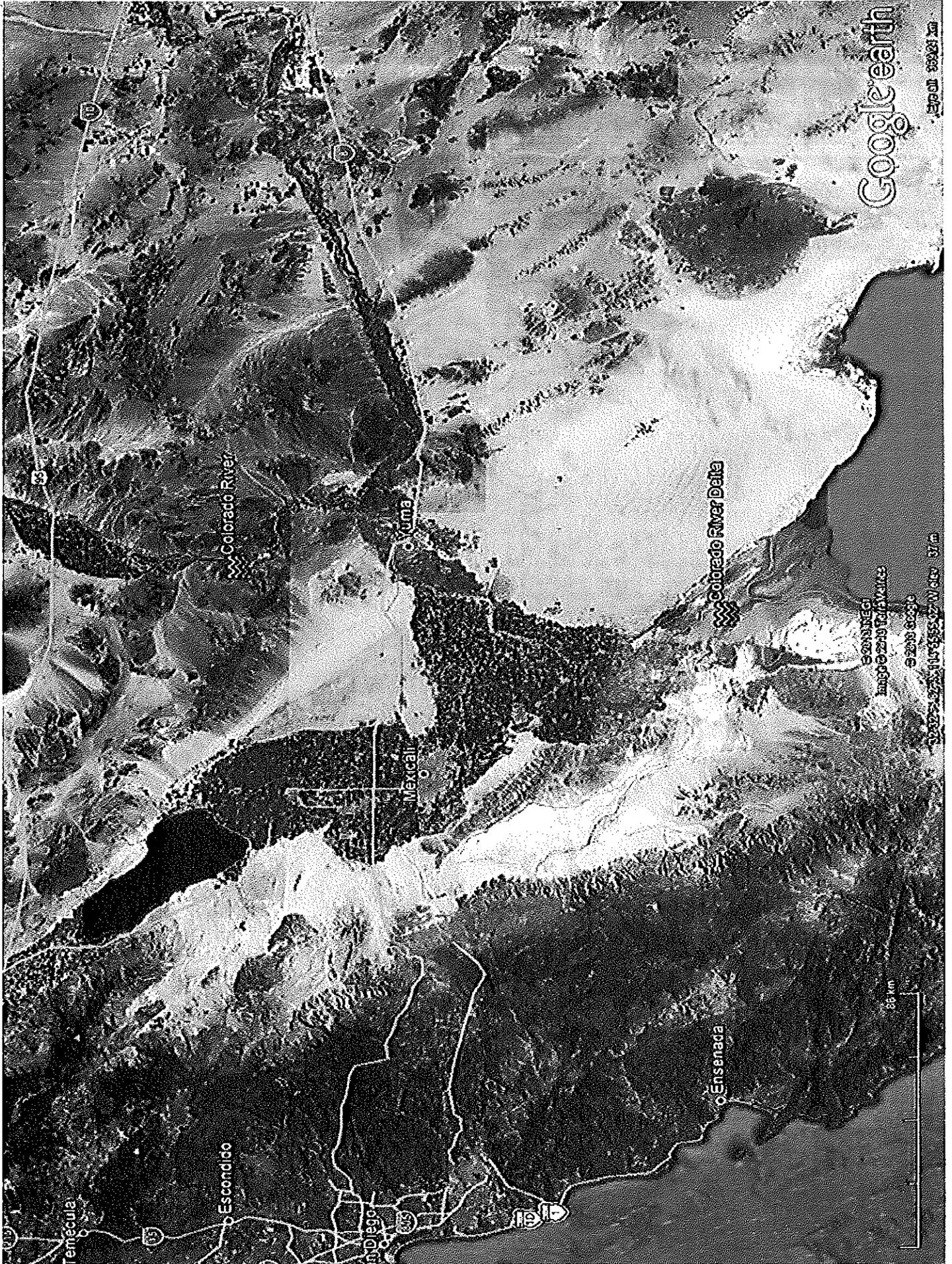
Implementing the New River Improvement

Project:

Opportunities for Community Engagement
Through Support for the Calexico New
River Committee

Araceli Saucedo

August 26, 2014



Google Earth

Latitude: 33.0281 N
Longitude: -116.2500 W

Colorado River

Tijuana

Colorado River Delta

Mexicali

Ensenada

San Diego

Escondido

Temecula

Ensenada

86 km

WARNING

CONTAMINATED SOIL AND
NEW RIVER WATER



KEEP OUT!!
¡PELIGRO!

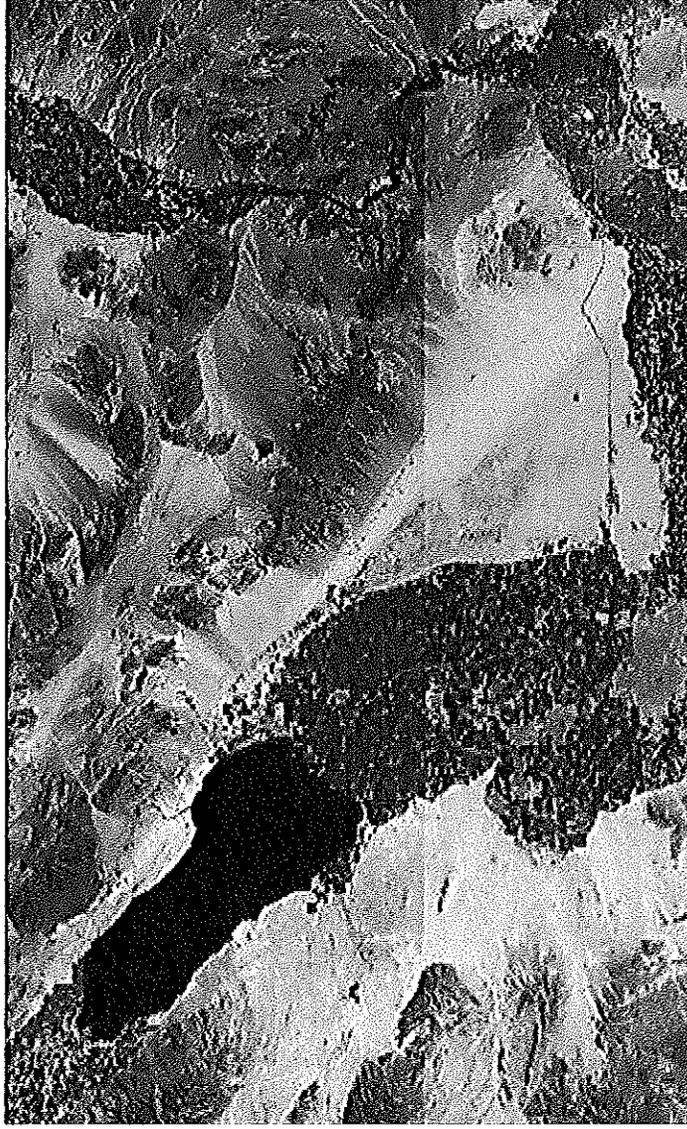


TIERRA Y AGUA DEL RIO
NUEVO CONTAMINADA
¡PROHIBIDO ENTRAR!

PAID FOR BY CALEXICO NEW RIVER COMMITTEE

NEW RIVER
BRIDGE 56-13
98 IMP

Strategic plan: New River Improvement Project



Submitted by:
New River Improvement
Project Technical
Advisory Committee

Prepared for:
California-Mexico Border
Relations Council

December 2011

Recommended Programs and Projects

- River Parkway
- Disinfection Facility
- Trash Screens
- Priority Treatment Wetland Site Options
- Aeration Devices (Generalized Locations)
- Existing Wastewater Treatment Facilities

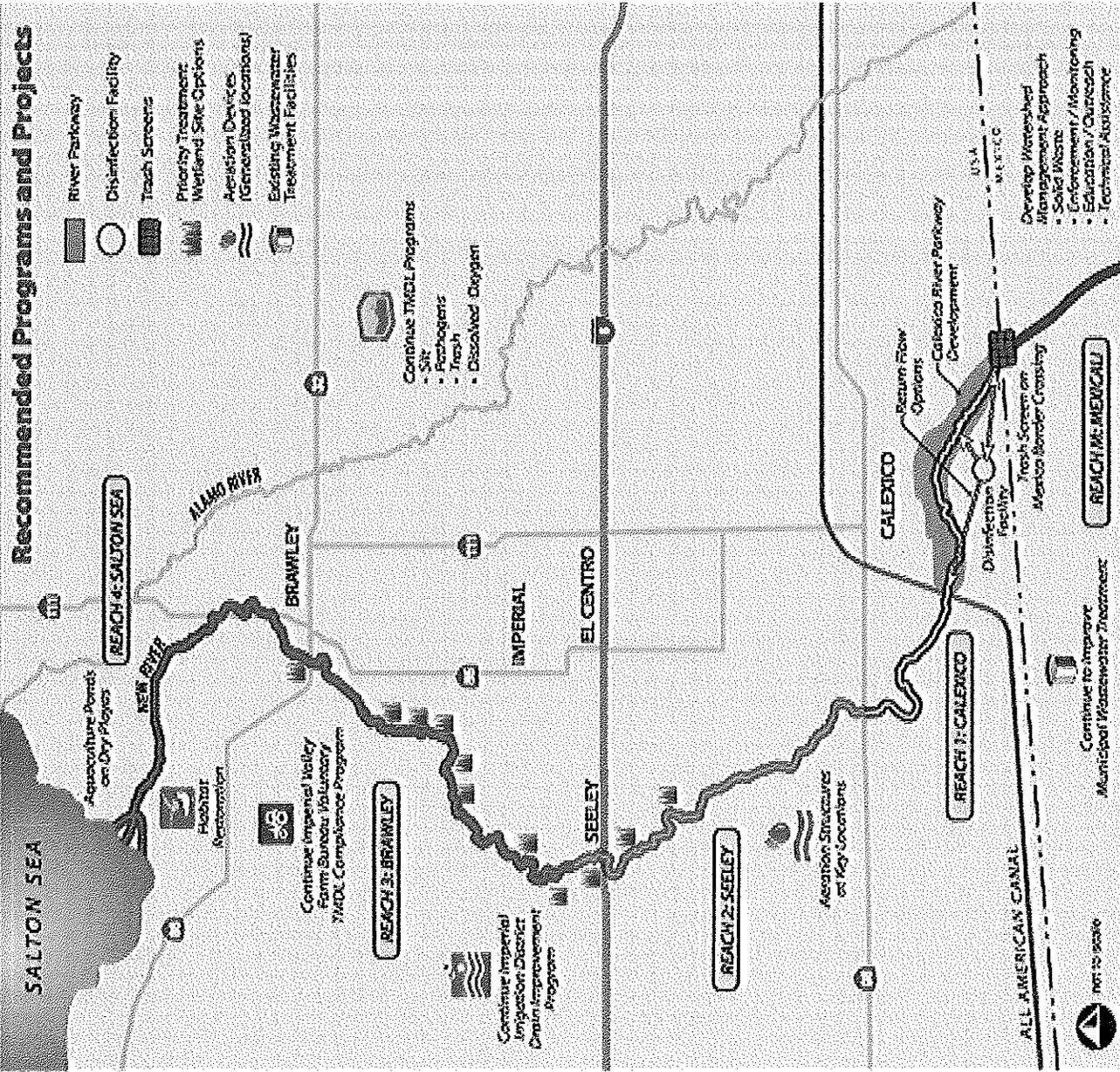


Figure 1. Strategic plan Recommended Solutions

New River Improvement Project

Strategic Plan

- **Improve Public Health**
- **Transform the Ecology**
- **Strengthen the Economy**

Calexico “Reach” Objectives

Urban revitalization in Calexico and increased public recreational and habitat amenities

Removal of potential or perceived health hazards as a result of exposure to polluted New River water

Remediation of pathogens, low dissolved oxygen, trash, toxicity and selenium

Creation of New River Parkway as recreational and open space resource for Calexico

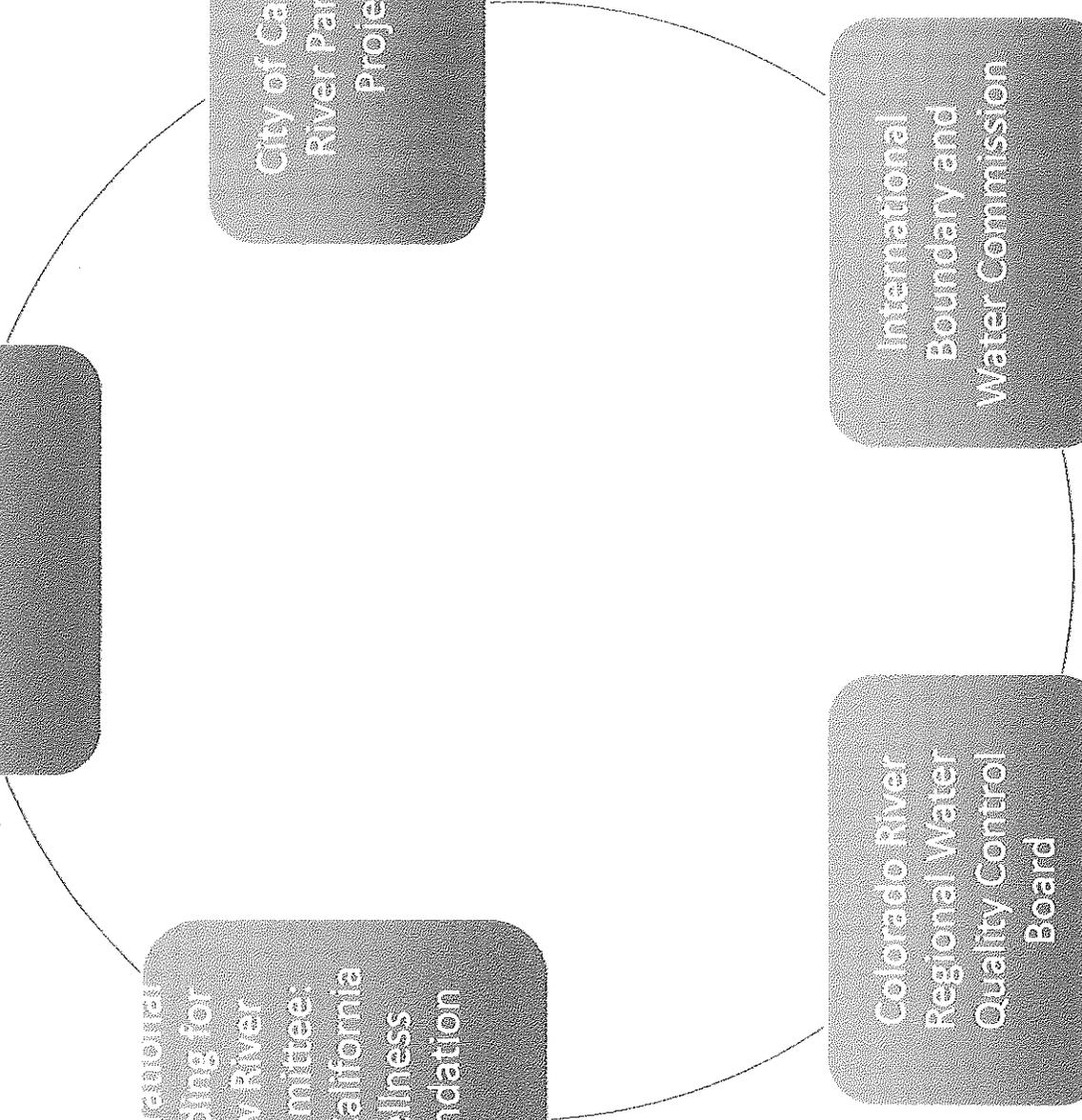
Who Are We Working With Now?

Operational Funding for New River Committee:
The California Wellness Foundation

City of Calexico:
River Parkway Project

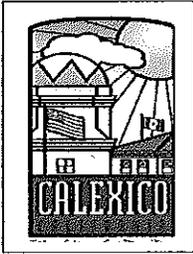
Colorado River Regional Water Quality Control Board

International Boundary and Water Commission



**AGENDA
ITEM**

3



AGENDA STAFF REPORT

DATE: October 7, 2014

TO: Mayor and City Council

APPROVED BY: Richard N. Warne, Interim City Manager *RN Warne*

PREPARED BY: John Quinn, Finance Director *J Quinn*

SUBJECT: Resolution of the City Council of the City of Calexico in its capacity as the Successor Agency to the Calexico Community Redevelopment Agency Approving the Recognized Obligation Payment Schedule 14-15b for the period of January through June 2014 and Approving Certain Related Actions

=====

Recommendation:

That the City Council, acting in its capacity as the Successor Agency to the Calexico Community Redevelopment Agency, adopts a Resolution approving the Recognized Obligation Payment Schedule 14-15B for the period of January through June 2015 and approving certain related actions.

Background:

Pursuant to Health and Safety Code ("HSC") § 34172 (a)(1), the Calexico Community Redevelopment Agency was dissolved on February 1, 2012. Consistent with the provisions of the HSC, the City Council previously elected to serve in the capacity of the Successor Agency to the Calexico Community Redevelopment Agency, (the "Successor Agency"). Per HSC § 34177 (l)(1), the Successor Agency is required to prepare a Recognized Obligation Payment Schedule ("ROPS") before each six-month fiscal period, which corresponds to equal halves of a fiscal year (i.e., July through December and January through June). The ROPS is the basis for the Successor Agency's authority to make payments due for enforceable obligations. Subsequent to its approval by the Successor Agency, the ROPS must also be approved by the Oversight Board ("OS Board") to the Successor Agency and is reviewable by the County Auditor-Controller, the County Administrative Officer, the California Department of Finance and the California State Controller's Office.

**AGENDA
ITEM
3**

Discussion & Analysis:

Staff, together with Urban Futures, Inc., has prepared ROPS 14-15B, which consists of several spreadsheets that are appended to the attached Resolution as Exhibit "A". Pursuant to HSC § 34177 (m), an Oversight Board-approved ROPS 14-15B must be submitted to the County Auditor-Controller, the County Administrative Officer, the California Department of Finance and the California State Controller's Office not later than October 3, 2014. The Oversight Board approved the establishment of the Successor Agency's ROPS 14-15B during its meeting of October 2, 2014. Therefore, ROPS 14-15B was submitted to the aforementioned agencies by the deadline.

Approval of the attached Resolution will authorize the City Manager, or designee, to:

1. Post the ROPS 14-15B on the City's website; and
2. Make ministerial revisions to ROPS 14-15B which may include, but is not limited to restating the information included within ROPS 14-15B in any format that may be requested by the State Department of Finance, take such other actions and execute such other documents as are necessary to effectuate the intent of the Resolution, and to implement ROPS 14-15B on behalf of the Successor Agency, including authorizing and causing such payments.

The attached Resolution has been reviewed with respect to applicability of the California Environmental Quality Act ("CEQA"), the State CEQA Guidelines (California Code of Regulations, Title 14, §§ 15000 *et seq.*, hereafter the "Guidelines"), and the City's environmental guidelines. The attached Resolution does not constitute a "project" for purposes of CEQA, as that term is defined by Guidelines § 15378, because this Resolution is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per § 15378(b)(5) of the Guidelines.

Fiscal Impact:

Pursuant to Health and Safety Code § 34177, the Successor Agency is legally required to continue to make payments due for enforceable obligations. Approval of ROPS 14-15B will ensure that the Successor Agency has the authority to continue to pay its enforceable obligations.

Coordinated With:

None.

Attachments:

1. Proposed Resolution: Resolution of the City Council of the City of Calexico in its capacity as the Successor Agency to the Calexico Community Redevelopment Agency Approving the Recognized Obligation Payment Schedule 14-15b for the period of January through June 2014 and Approving Certain Related Actions.

RESOLUTION NO. 2014- (SA)

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALEXICO IN ITS CAPACITY AS THE SUCCESSOR AGENCY TO THE CALEXICO COMMUNITY REDEVELOPMENT AGENCY APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE 14-15B FOR THE PERIOD OF JANUARY THROUGH JUNE 2014 AND APPROVING CERTAIN RELATED ACTIONS

WHEREAS, pursuant to Health and Safety Code (the "HSC") § 34172 (a)(1), the Calexico Community Redevelopment Agency was dissolved on February 1, 2012; and

WHEREAS, consistent with the provisions of the HSC, the City Council previously elected to serve in the capacity of the Successor Agency to the Calexico Community Redevelopment Agency (the "Successor Agency"); and

WHEREAS, per HSC § 34177 (l)(1), the Successor Agency is required to prepare a Recognized Obligation Payment Schedule ("ROPS") before each six-month fiscal period, which corresponds to equal halves of a fiscal year (i.e., July through December and January through June); and

WHEREAS, the ROPS is the basis for the Successor Agency's authority to make payments due for enforceable obligations; and

WHEREAS, the ROPS must also be approved by the Oversight Board ("OS Board") to the Successor Agency and is reviewable by the County Auditor-Controller, the County Administrative Officer, the California Department of Finance and the California State Controller's Office; and

WHEREAS, the Successor Agency's ROPS 14-15B, for the period of January through June 2015, is appended to this Resolution as Exhibit "A"; and

WHEREAS, pursuant to HSC § 34177 (m), an Oversight Board-approved ROPS 14-15B must be submitted to the County Auditor-Controller, County Administrative Officer, the State Controller and the State Department of Finance not later than October 3, 2014; and

WHEREAS, the Oversight Board approved the establishment of the Successor Agency's ROPS 14-15B during its meeting of October 2, 2014 and thereafter ROPS 14-15B was submitted to the aforementioned agencies by the deadline noted above; and

WHEREAS, this Resolution has been reviewed with respect to applicability of the California Environmental Quality Act ("CEQA"), the State CEQA Guidelines (California Code of Regulations, Title 14, §§ 15000 *et seq.*, hereafter the "Guidelines"), and the City's environmental guidelines; and

WHEREAS, this Resolution is not a "project" for purposes of CEQA, as that term is defined by Guidelines § 15378, because this Resolution is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per § 15378(b)(5) of the Guidelines; and

WHEREAS, all of the prerequisites with respect to the approval of this Resolution have been met.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Calexico, acting in its capacity as the Successor Agency to the Calexico Community Redevelopment Agency, as follows:

Section 1. The foregoing recitals are true and correct and are a substantive part of this Resolution.

- Section 2.** The Successor Agency's ROPS 14-15B for the period of January through June 2015, which is attached hereto as Exhibit "A", is approved and adopted.
- Section 3.** The City Manager, or designee, is hereby authorized and directed to: i) post ROPS 14-15B on the City's website; and ii) make ministerial revisions to ROPS 14-15B which may include, but is not limited to restating the information included within ROPS 14-15B in any format that may be requested by the State Department of Finance, take such other actions and execute such other documents as are necessary to effectuate the intent of this Resolution, and to implement ROPS 14-15B on behalf of the Successor Agency, including authorizing and causing such payments.
- Section 4.** This Resolution is not a "project" for purposes of CEQA, as that term is defined by Guidelines § 15378, because this Resolution is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per § 15378(b)(5) of the Guidelines.
- Section 5.** This Resolution shall take effect upon the date of its adoption.

PASSED, APPROVED AND ADOPTED this 7th day of October, 2014.

John Moreno, Mayor
City of Calexico, as Successor Agency to the Calexico
Community Redevelopment Agency

APPROVED AS TO FORM

ATTEST

Jennifer M. Lyon, City Attorney

Gabriela Garcia, City Clerk

CERTIFICATION:

I, Gabriela Garcia, City Clerk of the City of Calexico, do hereby certify that the foregoing Resolution No. 2014-_____ (SA) was duly adopted by the City Council of the City of Calexico in its capacity as the Successor Agency to the Calexico Community Redevelopment Agency at a regular meeting thereof held on the 7th day of October 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Gabriela Garcia, City Clerk

EXHIBIT "A"

**SUCCESSOR AGENCY TO THE
CALEXICO COMMUNITY REDEVELOPMENT AGENCY
RECONGNIZED OBLIGATION PAYMENT SCHEDULE 14-15B
(January through June 2015)**

(See Attachment)

Recognized Obligation Payment Schedule (ROPS 14-15B) - Summary
 Filed for the January 1, 2015 through June 30, 2015 Period

Name of Successor Agency: Calexico
 Name of County: Imperial

<u>Current Period Requested Funding for Outstanding Debt or Obligation</u>		<u>Six-Month Total</u>
Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding Sources (B+C+D):		\$ 2,895,980
A	Bond Proceeds Funding (ROPS Detail)	2,784,958
B	Reserve Balance Funding (ROPS Detail)	-
C	Other Funding (ROPS Detail)	111,022
D	Enforceable Obligations Funded with RPTTF Funding (F+G):	\$ 1,630,343
E	Non-Administrative Costs (ROPS Detail)	1,605,343
F	Administrative Costs (ROPS Detail)	125,000
G	Current Period Enforceable Obligations (A+E):	\$ 4,526,323

<u>Successor Agency Self-Reported Prior Period Adjustment to Current Period RPTTF Requested Funding</u>		
I	Enforceable Obligations funded with RPTTF (E):	1,630,343
J	Less Prior Period Adjustment (Report of Prior Period Adjustments Column S)	(3,350)
K	Adjusted Current Period RPTTF Requested Funding (I-J)	\$ 1,626,993

<u>County Auditor Controller Reported Prior Period Adjustment to Current Period RPTTF Requested Funding</u>		
L	Enforceable Obligations funded with RPTTF (E):	1,630,343
M	Less Prior Period Adjustment (Report of Prior Period Adjustments Column AA)	-
N	Adjusted Current Period RPTTF Requested Funding (L-M)	1,630,343

Certification of Oversight Board Chairman:
 Pursuant to Section 34177 (m) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named agency.

_____	_____
Name	Title
____/	_____
Signature	Date

Recognized Obligation Payment Schedule (ROPS 14-15B) - Report of Cash Balances

(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see <http://tax.ced.ca.gov/rope>.

A	B	C	D	E	F	G	H	I						
									Fund Sources					
									Bond Proceeds		Reserve Balance		Other	RPTTF
Bonds Issued on or before 12/31/10	Bonds Issued on or after 01/01/11	Prior ROPS period balances and ODR RPTTF balances retained	Prior ROPS RPTTF distributed as reserve for future period(s)	Rent, Grants, Interest, Etc.	Non-Admin and Admin	Comments								
ROPS 13-14B Actuals (01/01/14 - 06/30/14)														
1	Beginning Available Cash Balance (Actual 01/01/14)	9,221,559	6,452,745			234,000	145,270	Cell C-1 includes the DSRFs for all TABs held by the Trustee plus \$6,712,893 of pre-2011 bond proceeds available for projects per the FOC. Cell D-1 equals only the RDA's bond proceeds from its 2011 TABs. The bond proceeds from the CUSD's 2011 TABs are not included as those funds are the property of the CUSD. Cell G-1 is the balance available from Other Funds from ROPS 13-14A. Cell H-1 fees to the PPA for ROPS 13.						
2	Revenue/Income (Actual 06/30/14) RPTTF amounts should tie to the ROPS 13-14B distribution from the County Auditor/Controller during January 2014					211,563	1,478,396	Cell G-2 is the amounts received during ROPS 13-14A for CUSD debt services and rental income. Cell H-2 fees to the actual amount received from the CAC.						
3	Expenditures for ROPS 13-14B Enforceable Obligations (Actual 06/30/14) RPTTF amounts, H3 plus H4 should equal total reported actual expenditures in the Report of PPA, Columns L and Q					113,553	1,673,659							
4	Retention of Available Cash Balance (Actual 06/30/14) RPTTF amount retained should only include the amount distributed for debt service reserve(s) approved in ROPS 13-14B													
5	ROPS 13-14B RPTTF Prior Period Adjustment RPTTF amount should tie to the self-reported ROPS 13-14B PPA in the Report of PPA, Column G						3,300							
6	Ending Actual Available Cash Balance C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 - 5)	9,221,559	6,452,745	-	-	332,808	(3,350)							
ROPS 14-15A Estimate (07/01/14 - 12/31/14)														
7	Beginning Available Cash Balance (Actual 07/01/14) (C, D, E, G = 4 + 6, F = H4 + F4 + F6, and H = 6 + 8)	9,221,559	6,452,745	-	-	332,808	28,028							
8	Revenue/Income (Estimate 12/31/14) RPTTF amounts should tie to the ROPS 14-15A distribution from the County Auditor/Controller during June 2014					311,672	1,175,811	Cell G-8 is the amounts for CUSD debt services and rental income for ROPS 14-15A. Cell H-8 fees to the actual amount received from the CAC.						
9	Expenditures for ROPS 14-15A Enforceable Obligations (Estimate 12/31/14)					531,133	1,203,631	Cells G-9 and H-9 tie to ROPS 14-15A						
10	Retention of Available Cash Balance (Estimate 12/31/14) RPTTF amount retained should only include the amount distributed for debt service reserve(s) approved in ROPS 14-15A													
11	Ending Estimated Available Cash Balance (7 + 8 - 9 - 10)	9,221,559	6,452,745	-	-	112,634	-							

Recognized Obligation Payment Schedule (ROPS 14-15B) - Report of Prior Period Adjustments
 Reported for the ROPS 13-14B (January 1, 2014 through June 30, 2014) Period Pursuant to Health and Safety Code (HSC) section 34186 (a)
 (Report Amounts in Whole Dollars)

ROPS 14-15B Successor Agency (SA) Self-reported Prior Period Adjustments (PPA) Pursuant to HSC Section 34186 (a) SA's are required to report the differences between their actual available funding and their actual expenditure for the ROPS 13-14B (January through June 2014) period. The amount of Redevelopment Property Tax Trust Fund (RPTTF) approved for the ROPS 14-15B (January through June 2015) period will be offset by the SA's self-reported ROPS 13-14B prior period adjustment (PPA) Section 34186 (a) also specifies that the prior period adjustments self-reported by SAs are subject to audit by the county auditor/controller (CA) and the State Controller.																			
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
Item #	Project Name / Debt Obligation	Non-RPTTF Expenditures								RPTTF Expenditures								Net SA Non-Ad in and Ad in PPA. Element used in Other ROPS 14-15B (Specified RPTTF)	SA Comments
		Bond Proceeds		Forward Balance		Other Funds		Non-Ad in		Ad in		Ad in		Difference (if total actual exceeds total authorized, the total difference is zero)	Net Difference (R-2)				
		Authorized	Actual	Authorized	Actual	Authorized	Actual	Authorized	Actual	Authorized	Actual	Authorized	Actual						
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1	2000 Tax Allocation Bonds	-	-	-	-	113,563	113,563	4,513,656	4,513,656	1,513,056	1,513,056	3,513,056	3,500	192,000	192,000	192,000	192,000	-	5,900
2	2000A Tax Allocation Bonds	-	-	-	-	22,732	22,732	17,293	17,293	273,560	273,560	17,293	17,293	-	-	-	-	-	-
3	2000C Tax Allocation Bonds	-	-	-	-	31,833	31,833	120,475	120,475	120,475	120,475	120,475	120,475	-	-	-	-	-	-
4	2008 Tax Allocation Bonds	-	-	-	-	288,312	288,312	288,312	288,312	288,312	288,312	288,312	288,312	-	-	-	-	-	-
5	2011 Tax Allocation Bonds	-	-	-	-	268,100	268,100	268,100	268,100	268,100	268,100	268,100	268,100	-	-	-	-	-	-
6	2011 Tax Allocation Bonds	-	-	-	-	59,530	59,530	5,000	5,000	5,000	5,000	5,000	5,000	-	-	-	-	-	-
7	Securities Services	-	-	-	-	-	-	1,500	1,500	1,500	1,500	1,500	1,500	-	-	-	-	-	1,500
8	Continuing Disclosure	-	-	-	-	-	-	12,250	12,250	12,250	12,250	12,250	12,250	-	-	-	-	-	1,800
9	Legal Services (General Counsel)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Legal Services (Special Counsel)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Legal Services (Special Counsel)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Legal Services (Special Counsel)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Advisable Housing Contract Monitoring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Advisable Housing Contract Monitoring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Advisable Housing Contract Monitoring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Advisable Housing Contract Monitoring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Successor Agency Administration	-	-	-	-	-	-	11,000	11,000	32,200	32,200	18,800	-	112,000	112,000	112,000	112,000	-	-
18	2nd Street Access Road	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Overnight Board Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	HSC 34186 (Q)(7)(A) Reserve	-	-	-	-	-	-	626,000	626,000	626,000	626,000	626,000	626,000	-	-	-	-	-	-

**AGENDA
ITEM
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CALEXICO COMMUNITY REDEVELOPMENT AGENCY SUCCESSOR AGENCY STAFF REPORT

DATE: October 7, 2014

TO: Chairman and Members of the Board of Directors of the
Successor Agency to the Community Redevelopment
Agency of the City of Calexico

PREPARED BY: Marshall Linn, Urban Futures, Inc.

APPROVED BY: Richard N. Warne, Interim City Manager *rw*

SUBJECT: Resolution Reapproving the Form of the Preliminary Official
Statement in Regards to the Refunding of the Merged Central
Business District and Residential Project Area Tax Allocation
Refunding Bonds Issue of 2014

=====

Recommendation:

Approve the attached Resolution Reapproving the Form of the Preliminary Official Statement in Regards to the Refunding of the Merged Central Business District and Residential Project Area Tax Allocation Refunding Bonds Issue of 2014.

Background:

On August 5, 2014, the Successor Agency approved the form of the Preliminary Official Statement in accordance with the provision of Section 4 of Resolution No. 2014-64.

Discussion & Analysis:

At this time, the Successor Agency wishes to reapprove the Preliminary Official Statement for the purpose of deeming it final, within the meaning of Rule 15c2-12 of the Securities and Exchange Act of 1934 ("Rule 15c 2-12").

Attachment:

1. Resolution Reapproving the Form of the Preliminary Official Statement in Regards to the Refunding of the Merged Central Business District and Residential Project Area Tax Allocation Refunding Bonds Issue of 2014.
2. Preliminary Official Statement for Tax Allocation Refunding Bonds Issue of 2014.

**AGENDA
ITEM
4**

RESOLUTION NO. _____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO REAPPROVING THE FORM OF THE PRELIMINARY OFFICIAL STATEMENT TO DEEM IT FINAL UNDER RULE 15c2-12 AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Successor Agency has previously approved the form of the Preliminary Official Statement at its meeting on August 5, 2014, and, in accordance with the provisions of Section 4 of Resolution No. 2014-64, wishes at this time to reapprove the Preliminary Official Statement for the purpose of deeming it final within the meaning of Rule 15c2-12;

NOW, THEREFORE, THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

Section 1. The Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"), in the form presented at this meeting and on file with the Secretary, is hereby approved and 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 Bonds in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Executive Director 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.

IN WITNESS WHEREOF, this Resolution is adopted and approved the 7th day of October, 2014.

Chair of the Successor Agency to the
Community Redevelopment Agency of the City of
Calexico

(SEAL)

ATTEST:

Secretary of the Successor Agency to the
Community Redevelopment Agency of the City of
Calexico

NEW ISSUE—BOOK-ENTRY

Standard & Poor's: “__”
(See “CONCLUDING INFORMATION – Rating” herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “CONCLUDING INFORMATION – Tax Exemption” herein for a discussion of the effect of certain provisions of the Code on Owners of the Bonds.

**[\$[principal amount]*
SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO
Merged Central Business District and Residential Redevelopment Project Area
Tax Allocation Refunding Bonds
Issue of 2014**

Dated: Delivery Date**Due: August 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 February 1 and August 1 of each year, commencing February 1, 2015) on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., 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. See “THE BONDS – Redemption and Purchase of Bonds.”

The Bonds are being issued by the Successor Agency to the Community Redevelopment Agency of the City of Calexico (the “Agency”) to refinance the Community Redevelopment Agency of the City of Calexico’s (the “Prior Agency”) previously issued: (i) \$16,120,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Refunding Bonds Issue of 2003A, currently outstanding in the principal amount of \$11,335,000 (the “2003A Bonds”); and (ii) \$8,600,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2003C, currently outstanding in the principal amount of \$6,040,000 (the “2003C Bonds”). The 2003A Bond and the 2003C Bonds are referred to herein as the “Refunded Bonds.”

The Bonds are being issued by the Agency on a parity basis to the Prior Agency’s previously issued: (i) \$10,000,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds Issue of 2000, currently outstanding in the principal amount of \$640,000 (the “2000 Bonds”); (ii) \$9,995,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Refunding Bonds Issue of 2006, currently outstanding in the principal amount of \$9,705,000 (the “2006 Bonds”); and (iii) \$7,120,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds Issue of 2011, currently outstanding in the principal amount of \$7,120,000 (the “2011 Bonds”). The 2000 Bonds, the 2006 Bonds and 2011 Bonds are referred to collectively herein as the “Existing Parity Bonds.”

The Bonds and the Existing Parity Bonds are payable from and secured by the Pledged Tax Revenues (as defined herein) to be derived from the Merged Central Business District and Residential Redevelopment Project Area (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 Pledged Tax Revenues, shall be deposited in the Redevelopment Obligation Retirement Fund, and administered by the Agency and the Trustee in accordance with the Indenture of Trust dated as of [November] 1, 2014 (the “Indenture”) by and between the Agency and the Trustee providing for the issuance of the Bonds.

This cover page of this 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 Calexico (the “City”), the State of California (the “State”) 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 Pledged 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 Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed on for the Agency by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York, on or about November ____, 2014.

STIFEL, NICOLAS & COMPANY, INC.

The date of this Official Statement is ____, 2014.

* Preliminary, subject to change.
1,538,314

[\$[principal amount]*
SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO
Merged Central Business District and Residential Redevelopment Project Area
Tax Allocation Refunding Bonds
Issue of 2014

Maturity Schedule
 (Base CUSIP[†] _____)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP [†] Suffix
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\$ ___ % Term Bonds due August 1, 20__ - Yield - ___ % - CUSIP[†] ___
 \$ ___ % Term Bonds due August 1, 20__ - Yield - ___ % - CUSIP[†] ___

* Preliminary, subject to change.

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**SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO
CALEXICO, CALIFORNIA**

BOARD OF DIRECTORS

John Moreno, *Chairman*
Joong S. Kim, *Vice-Chairman*
Maritza Hurtado, *Member*
Bill Hodge, *Member*
Luis J. Castro, *Member*

CITY AND AGENCY STAFF

Richard Warne, *Interim City Manager/Interim Redevelopment Executive Director*
John Quinn, *City Treasurer*
Gabrielle Garcia, *Deputy City Clerk*

SPECIAL SERVICES

Bond Counsel

Stradling Yocca Carlson & Rauth
a Professional Corporation
Newport Beach, California

Disclosure Counsel

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

Agency Counsel

McDougal, Love, Eckis, Boehmer & Foley
A Professional Corporation
La Mesa, California

Trustee

[The Bank of New York Mellon Trust Company, N.A.]
Los Angeles, California

Financial Advisor and Dissemination Agent

Urban Futures, Inc.
Orange, California

Underwriter

Stifel, Nicolas & Company, Inc.
San Francisco, California

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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 Calexico 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.

OFFICIAL STATEMENT

**[\$[principal amount]*
SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO
Merged Central Business District and Residential Redevelopment Project Area
Tax Allocation Refunding Bonds
Issue of 2014**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Community Redevelopment Agency of the City of Calexico (the “Agency”) of \$[principal amount]* Merged Central Business District and Residential Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 2014 (the “Bonds”).

Authority and Purpose

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 Health and Safety Code Section 34177.5, and an Indenture of Trust dated as of [November] 1, 2014 (the “Indenture”) by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). See “THE BONDS – Authority for Issuance.”

The Bonds are being issued by the Agency to refinance the Community Redevelopment Agency of the City of Calexico’s (the “Prior Agency”) previously issued: (i) \$16,120,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Refunding Bonds Issue of 2003A, currently outstanding in the principal amount of \$11,335,000 (the “2003A Bonds”); and (ii) \$8,600,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2003C, currently outstanding in the principal amount of \$6,040,000 (the “2003C Bonds”). The 2003A Bonds and the 2003C Bonds are referred to herein as the “Refunded Bonds.”

The City

The City of Calexico (the “City”) is located in Imperial County, California, approximately 120 miles east of the City of San Diego and approximately 60 miles west of Yuma, Arizona. The City is a general law city incorporated in 1908 with a Council/Manager form of government consisting of five Council members elected to four-year overlapping terms. The City encompasses an area of approximately four square miles with an average elevation at sea level. As of January 1, 2014, the City had an estimated population of 40,564. The City lies adjacent to the City of Mexicali, with a population of approximately 1 million. Mexicali is the capital of the State of Baja, Mexico. The City’s strategic border location makes it a prime link between the interior of Mexico and the major economic markets along the West Coast of the United States. Each year, more than 1 million vehicles and pedestrians cross into the U.S.

* Preliminary, subject to change.

through the City's two ports-of-entry. The East Calexico Port-of-Entry provides an important link to major trucking routes, and has increased the efficiency with which people and goods move between Mexico and the United States. Economically and given its geographic location immediately adjacent to the international border crossing, the City largely functions as a suburb of the metropolitan complex of Mexicali. Mexicali is a major business center, with large manufacturing and agricultural industries, and a busy rail line into California. The economic growth in Mexicali relies on numerous assembly plants, mainly for products to be exported to the United States, including facilities operated by corporations that include: Daewoo, Mitsubishi, Honeywell, Cardinal Health, Bosch, Price Pfister, Gulfstream, Goodrich, Kenworth and Kwikset. For further information relating to the City, see "APPENDIX A – SUPPLEMENTAL INFORMATION – THE CITY OF CALEXICO."

The Agency

The Prior Agency was established on May 13, 1952 by the City Council of the City with the adoption of Resolution No. 1182, pursuant to the Community Redevelopment Law (Part 1, Division 25, commencing with Section 33000 of the Health and Safety Code of the State) (the "Redevelopment Law"). On March 20, 1979, the City Council adopted Ordinance No. 759, appointing the five members of the City Council as the governing body of the Agency, to exercise all rights, powers, duties and privileges of the Agency.

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. 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.

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 January 10, 2012, pursuant to Resolution No. 2012-08 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 _____, 2012, established rules and regulations for the operations of the Successor Agency to the Community Redevelopment Agency of the City of Calexico (the "Agency") to assume these successor functions pursuant to Resolution No. ____, 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 Central Business District Redevelopment Project was approved by Ordinance No. 826 adopted by the City Council on July 20, 1982. The redevelopment plan for the Residential Redevelopment Project was adopted on June 5, 1979 by Ordinance No. 760 and was amended on September 6, 1983 with the adoption of Ordinance No. 857. The project areas were merged and redesignated the Merged Central Business District and Residential Redevelopment Project Area (the “Project Area”) by the adoption of Ordinance No. 864 on November 20, 1984. The redevelopment plan for the Project Area was subsequently amended by Amendment No. 1 approved and adopted by Ordinance No. 905 on July 18, 1989, by Amendment No. 2 approved and adopted by Ordinance No. 920 on June 30, 1992, and by Amendment No. 3 approved and adopted by Ordinance No. 930 on December 28, 1993, and by Ordinance No. 1022 adopted on June 8, 2005 (collectively, the “Redevelopment Plan”). The Project Area consists of approximately 2,298 acres in twenty-four non-contiguous areas. Existing land uses in the Project Area are residential, commercial, industrial, governmental and institutional.

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 that 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 – DEFINITIONS" 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 Pledged 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 Existing Parity Bonds are payable from and secured by the Pledged Tax Revenues to be derived from the Project Area, all of the monies in the Redevelopment Obligation Retirement Fund (as hereinafter defined) established and held by the Agency pursuant to the Dissolution Act, and all of the monies in the Debt Service 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 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 Debt Service 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 on a parity basis with the Prior Agency's previously issued: (i) \$10,000,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds Issue of 2000, currently outstanding in the principal amount of \$640,000 (the "2000 Bonds"); (ii) \$9,995,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation

Refunding Bonds Issue of 2006, currently outstanding in the principal amount of \$9,705,000 (the “2006 Bonds”); and (iii) \$7,120,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds Issue of 2011, currently outstanding in the principal amount of \$7,120,000 (the “2011 Bonds”). The 2000 Bonds, the 2006 Bonds and 2011 Bonds are referred to herein as the “Existing Parity Bonds.”

Reserve Account

In order to further secure the payment of the principal of and interest on the Bonds, a Reserve Account within the Debt Service Fund is created pursuant to the Indenture in an amount equal to the “Reserve Requirement” which means, as of the date of computation, an amount equal to the combined lesser of (i) Maximum Annual Debt Service on the Bonds and any Parity Bonds, (ii) 10% of the net proceeds of the Bonds and any Parity Bonds, or (iii) 125% of the Annual Debt Service on all Bonds and Parity Bonds Outstanding.

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 offices of Stifel, Nicolas and Company, Inc., One Montgomery Street, 35th Floor, San Francisco, California 94104, and thereafter from the City Clerk’s office, City of Calexico, 608 Heber Avenue, Calexico, California 92231.

SOURCES AND USES OF FUNDS

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

Sources:

Principal amount of Bonds	\$
Transfer from Refunded Bonds funds and accounts	
Underwriter’s discount	
Original issue discount	
Total Sources	

Uses:

2003A Bonds Escrow Fund ⁽¹⁾	\$
2003C Bonds Escrow Fund ⁽²⁾	
Reserve Account ⁽³⁾	
Costs of Issuance Fund ⁽⁴⁾	
Total Uses	

⁽¹⁾ An amount of moneys sufficient to provide for the payment of the principal and interest on the 2003A Bonds to __, 2014.
⁽²⁾ An amount of moneys sufficient to provide for the payment of the principal and interest on the 2003C Bonds to __, 2014.
⁽³⁾ An amount equal to the Reserve Requirement for the Bonds.

⁽⁵⁾ Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Agency Counsel, Financial Advisor, Trustee, insurance premiums, if any, printing expenses, rating fee and other costs.

THE BONDS

Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture, the Bond Law and the Dissolution Act. The issuance of the Bonds and the execution of the Indenture were authorized by the Agency pursuant to Resolution No. ____ adopted by the Agency on August 5, 2014, and by Resolution No. 2014-03OB adopted by the Oversight Board for the Agency on August 21, 2014 (the “Oversight Board Resolution”).

Written notice of the Oversight Board Resolution was provided to the State Department of Finance pursuant to the Dissolution Act on August 27, 2014, and the State Department of Finance requested review within five business days of such written notice. On _____, 2014, 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 Refunded Bonds 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 Approving 2014 Bonds”). A copy of the DOF Determination Letter Approving 2014 Bonds is set forth as Appendix H hereto.

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, as registered owner of all Bonds. See “Book-Entry System” below. The Bonds will be dated the Delivery Date and mature on August 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 February 1 and August 1 in each year, commencing on February 1, 2015, by check mailed to the registered owners thereof or upon the 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

The Depository Trust Company (“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 August 1, 2025 are not subject to redemption prior to maturity. The Bonds maturing after August 1, 2025 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 August 1, 2025, 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>
August 1, 2025 and thereafter	100%

*Sinking Account Redemption.** The Term Bonds maturing on August 1, 20__ and August 1, 20__ are subject to redemption in part by lot on August 1, 20__ and August 1, 20__, respectively, and on August 1 in each year shown below until maturity, from sinking account payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that if some but not all of the Bonds have been redeemed the total amount of all future sinking account payments will be reduced by an amount corresponding to the aggregate principal amount of Bonds so redeemed, to be allocated among such sinking account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination will be given by the Agency to the Trustee).

<u>Term Bonds Maturing on August 1, 20__*</u>	
<u>Redemption Date</u>	<u>Principal</u>
(August 1)*	Amount*

(maturity)

<u>Term Bonds Maturing on August 1, 20__*</u>	
<u>Redemption Date</u>	<u>Principal</u>
(August 1)*	Amount*

(maturity)

Purchase in Lieu of Redemption. In lieu of optional or sinking account redemption of Bonds, amounts on deposit in the Redevelopment Obligation Retirement Fund (to the extent not required to be transferred to the Trustee during the current Bond Year) may also be used and withdrawn by the Agency at any time for the purchase of the Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of the Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on July 15 in any year will be credited towards and will reduce the principal amount of the Bonds otherwise required to be redeemed on the following August 1 pursuant to the Indenture.

Notice of Redemption. The Trustee on behalf of and at the expense of the Agency will mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) the Owners of any Bonds designated for redemption

* Preliminary, subject to change.

at their respective addresses appearing on the Registration Books, and (ii) to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access System, or any successor thereto; but such mailing will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the redemption date and the redemption price, will designate the CUSIP number of the Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding (or all Bonds of a maturity) are to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

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 – DEFINITIONS" 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.

The Bonds and Existing Parity Bonds are payable from and secured by (i) an irrevocable pledge of the Pledged Tax Revenues to be derived from the Project Area, (ii) an irrevocable pledge of all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and (iii) an irrevocable first pledge and lien on all of the monies in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account, and the Redemption 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 Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Pledged 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 Pledged 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, Sections 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) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Prior Agency, as succeeded by the Agency, or (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 the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clause (ii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Agency’s enforceable obligations, pass-through payments, and the Agency’s administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under Pass-Through Agreements and for Statutory Pass-Through Amounts, in order to be paid to the Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. 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 “MERGED CENTRAL BUSINESS DISTRICT AND RESIDENTIAL REDEVELOPMENT PROJECT AREA – Statutory Pass-Throughs”.

The Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the Pledged Tax Revenues and the subordinations provided in the Pass-Through Agreements and of the Statutory Pass-Through Amounts will effectively result in adequate Pledged Tax Revenues for the payment of principal and interest on the Bonds when due. See “RISK FACTORS – Recognized Obligation Payment Schedule.” See “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule.” See also “MERGED CENTRAL BUSINESS DISTRICT AND RESIDENTIAL REDEVELOPMENT PROJECT AREA, – Pass-Through Agreements” and “– Statutory Pass-Throughs” for additional information regarding the Pass-Through Agreements and the Statutory Pass-Through 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 "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).

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.

Commencing with the six-month period of July 1, 2013 through December 31, 2013, the Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Auditor-Controller and the State Department of Finance 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 the 80th 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.

[confirm - 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 Schedule with respect to the Recognized Obligation Payment Schedule for the six-month periods of January 1, 2013 through

June 30, 2013, July 1, 2013 through December 31, 2013, January 1, 2014 through June 30, 2014, July 1, 2014 through December 31, 2014, and January 1, 2015 through June 30, 2015.] Pursuant to this process, the Agency received \$1,867,442 on January 2, 2013 for its enforceable obligations for January 1, 2013 through June 30, 2013, \$1,423,582 on June 1, 2013 for its enforceable obligations for July 1, 2013 through December 31, 2013, \$1,478,386 on January 2, 2014 for its enforceable obligations for January 1, 2014 through June 30, 2014, and \$1,175,811 on June 1, 2014 for its enforceable obligations for July 1, 2014 through December 31, 2014, including the August 1 principal and interest payment on the Existing Parity Bonds. 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.

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 provided 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 provided 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 31, 2014 with respect to the Recognized Obligation Payment Schedule for January 1, 2015 through June 30, 2015), 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 pass-through 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.

Confirmation of Bonds Debt Service Obligations by DOF

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, will be included in the Agency's Recognized Obligation Payment Schedule, and will not be subject to further review and approval by the State Department of Finance or the State Controller.

Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, Section 34177.5(i) of the Dissolution Act provides that a successor agency may petition the State Department of Finance to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the department's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the State Department of Finance, then Section 34177.5(i) provides that the State Department of Finance's review of such payments in each future Recognized Obligation Payment Schedule will be limited to confirming that they are required by the prior enforceable obligation. The Agency has covenanted in the Indenture to petition the State Department of Finance for such written confirmation with respect to the Bonds and the Existing Parity Bonds after the first inclusion of the Bonds in Recognized Obligation Payment Schedule, which will occur after the issuance of the Bonds.

Further, 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 on the Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service 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 Existing Parity Bonds Indentures and 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 "THE INDENTURE – Covenants of the Agency").

Additional Parity Bonds

Under the Indenture, in addition to the Bonds and the Existing Parity Bonds and subject to the requirements of the indentures executed and delivered in connection with the Existing Parity Bonds (the "Existing Parity Bonds Indentures"), 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 Pledged Tax Revenues on a parity with the Bonds and the Existing Parity Bonds ("Additional Parity 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 issue or incur such Additional Parity Bonds subject to the following additional specific conditions precedent:

(a) The Agency will be in compliance with all covenants set forth in the Indenture and the Existing Parity Bonds Indentures;

(b) The Oversight Board shall have approved the issuance of Additional Parity Bonds;

(c) The Additional Parity Bonds will be on such terms and conditions as may be set forth in a separate or Supplemental Indenture, which will provide for (i) bonds substantially in accordance with the Indenture and the Existing Parity Bonds Indentures, and (ii) the deposit of moneys into the Reserve Account in an amount sufficient, together with the balance of the Reserve Account, to equal the Reserve Requirement on all Bonds and the Existing Parity Bonds expected to be outstanding including the Additional Parity Bonds;

(d) Receipt of a certificate or opinion of an Independent Financial Consultant stating:

(i) For the current and each future Bond Year the debt service for each such Bond Year with respect to all Bonds, the Existing Parity Bonds and other Additional Parity Bonds reasonably expected to be outstanding following the issuance of the Additional Parity Bonds;

(ii) For the then current Fiscal Year, the Pledged Tax Revenues to be received by the Agency based upon the most recently certified assessed valuation of taxable property in the Project Area provided by the appropriate officer of the County;

(iii) For each future Fiscal Year, the Pledged Tax Revenues referred to in item (ii) together with (a) the amount determined in accordance with Section 51(a) of the California Revenue and Taxation Code and (b) the amount of Tax Revenues to be payable with respect to construction completed but not yet on the tax roll, and taking into account the expiration of the time to receive Tax Revenues with respect to any portion of the Project Area and any amounts to be paid pursuant to the Pass Through Agreements and the Statutory Pass-Through Amounts; and

(iv) That for the then current Fiscal Year, the Pledged Tax Revenues referred to in item (ii) and for each future Fiscal Year the Pledged Tax Revenues referred to in item (iii) are at least equal to the sum of 125% of the Maximum Annual Debt Service with respect to the amounts referred to in item (i) above (excluding debt service with respect to any portion of the Additional Parity Bonds deposited in an escrowed proceeds account to the extent such debt service is paid from earnings on the investment of such funds), and, for the then current Fiscal Year, 100% of Annual Debt Service with respect to any subordinate debt and that the Agency is entitled under the Dissolution Act, the Redevelopment Law and the Redevelopment Plan to receive taxes under Section 33670 of the Redevelopment Law in an amount sufficient to meet expected debt service with respect to all Bonds, the Existing Parity Bonds and other Additional Parity Bonds.

(e) The Additional Parity Bonds will mature on and interest will be payable on the same dates as the Bonds (except the first interest payment may be from the date of the Additional Parity Bonds until the next succeeding February 1 or August 1) provided, however, nothing herein shall preclude the Agency from issuing and selling Additional Parity Bonds which do not pay current interest.

THE INDENTURE

The following is a summary of certain provisions of the Indenture and does not purport to be complete. Reference is hereby made to the Indenture and to APPENDIX B for the definition of certain terms used herein. Copies of the Indenture are available from the Agency upon request. All capitalized terms used herein and not otherwise defined will have the same meaning as used in the Indenture.

Allocation of Bond Proceeds

Under the Dissolution Act, the Agency has previously established a special trust fund called the Redevelopment Obligation Retirement Fund (the "Redevelopment Obligation Retirement Fund"), which is held by the Agency and into which the County Auditor-Controller distributes property tax revenues each January 2 and June 1 from the Redevelopment Property Tax Trust Fund for the payment by the Agency of enforceable obligations pursuant to the Recognized Obligation Payment Schedule.

The Indenture continues a special trust fund known as the "Debt Service Fund," with accounts therein referred to below, which will be held by the Trustee. The Agency will deposit all of the Pledged Tax Revenues received in any Bond Year in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Agency, and promptly thereafter shall transfer amounts received therein to the Debt Service Fund established and held by the Trustee under the Indenture and the Existing Parity Bonds Indentures until such time during such Bond Year as the amounts so transferred equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account of the Debt Service Fund in such Bond Year pursuant to the Indenture and the Existing Parity Bonds Indentures and for deposit in such Bond Year in the funds and accounts established with respect to Additional Parity Bonds, as provided in any Supplemental Indenture.

On the Delivery Date the proceeds of the sale of the Bonds shall be paid to the Trustee, together with moneys on deposit in the Refunded Bonds funds and accounts, and said amount shall be applied as follows:

- (a) The Trustee shall deposit the amount of \$_____ into the Reserve Account of the Debt Service Fund;
- (b) The Trustee shall transfer the amount of \$_____ (consisting of \$_____ from Bond proceeds and \$_____ from amounts transferred from the trustee for the 2003A Bonds) to the 2003A Bonds Escrow Bank for deposit in the 2003A Bonds Escrow Fund pursuant to the 2003A Bonds Escrow Agreement;
- (c) The Trustee shall transfer the amount of \$_____ (consisting of \$_____ from Bond proceeds and \$_____ from amounts transferred from the trustee for the 2003C Bonds) to the 2003C Bonds Escrow Bank for deposit in the 2003C Bonds Escrow Fund pursuant to the 2003C Bonds Escrow Agreement; and
- (d) The Trustee shall deposit the amount of \$_____ from Bond proceeds into the Costs of Issuance Fund.

Pledged Tax Revenues - Application

The Indenture establishes accounts within the Debt Service Fund as set forth below, to be known respectively as the Interest Account, the Principal Account, the Reserve Account and the Redemption Account. Moneys in the Debt Service Fund will be transferred by the Trustee in the following amounts at the following times, for deposit in the following respective accounts within the Debt Service Fund, which are established with the Trustee, in the following order of priority:***

- (a) *Interest Account.* On or before the 5th Business Day preceding each Interest Payment Date, the Trustee will withdraw from the Debt Service Fund and transfer to the Interest Account an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need to be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. Subject to the Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the 5th Business Day preceding August 1 in each year, beginning August 1, 2015, the Trustee will withdraw from the Debt Service Fund and transfer to the Principal Account an amount equal to the principal or sinking account payments becoming due and payable on the Outstanding Bonds and Additional Parity Bonds on such August 1, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal and sinking account payments to become due on such August 1 on all Outstanding Bonds. Subject to the Indenture, all moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal and sinking account payments of the Bonds as they become due and payable.

(c) Reserve Account. In the event the moneys on deposit in the Debt Service Fund five (5) Business Days before any Interest Payment Date are less than the full amount of the interest and principal and sinking account payments required to be deposited, the Trustee will, five (5) Business Days before such Interest Payment Date, withdraw from the Reserve Account an amount equal to any such deficiency and will notify the Successor Agency of any such withdrawal. Promptly upon receipt of any such notice, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Reserve Account an amount when added to the amount on deposit in the reserve accounts held in connection with the 2000 Bonds, the 2006 Bonds and the 2011 Bonds will be sufficient to maintain the Reserve Requirement on deposit in such reserve accounts, including the Reserve Account and any reserve accounts held in connection with additional Parity Bonds. If there is not sufficient moneys in the Redevelopment Obligation Retirement Fund to transfer an amount, which when added to the amount on deposit in the reserve accounts held in connection with the 2000 Bonds, the 2006 Bonds and the 2011 Bonds, which will be sufficient to maintain the Reserve Requirement on deposit in the such reserve accounts, including the Reserve Account and any reserve accounts held in connection with additional Parity Bonds, the Successor Agency will have an obligation to continue making transfers of Pledged Tax Revenues into the Debt Service Fund, as such revenues become available, and thereafter, as moneys become available in the Debt Service Fund, the Trustee will make transfers to the Reserve Account and the reserve accounts held in connection with the 2000 Bonds, the 2006 Bonds, the 2011 Bonds and any additional Parity Bonds until there is an amount sufficient to maintain the Reserve Requirement on deposit in such reserve accounts. No such transfer and deposit need be made to the Reserve Account (or any subaccount therein) so long as there is on deposit therein a sum at least equal to the Reserve Requirement. Subject to this Indenture all money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account (and subaccounts therein, as the case may be), in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the 5th Business Day preceding February 1 and August 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the 5th Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and will be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made or, (ii) if the Successor Agency shall have caused to be deposited with the Trustee an amount sufficient to make the deposits required by this Indenture, then at the Written Request of the Successor Agency such amount shall be transferred as directed by the Successor Agency.

At the maturity of the Bonds, amounts on deposit in the Reserve Account shall be transferred to the reserve accounts held in connection with the 2000 Bonds, the 2006 Bonds, the 2011 Bonds and/or any additional Parity Bonds to the extent necessary to maintain the Reserve Requirement.

(d) *Redemption Account.* On or before the 5th Business Day preceding any date on which Bonds are to be redeemed, the Trustee will transfer from the Debt Service Fund for deposit in the Redemption Account an amount required to pay the principal of, interest and premium, if any, on the Bonds (other than Bonds redeemed from sinking account payments) to be redeemed on such date. Subject to the Indenture, all moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of, interest and premium, if any, on the Bonds to be redeemed on the date set for such redemption.

The Indenture also creates a Rebate Fund for the purpose of collecting the amounts required, if any, to be rebated to the United States in accordance with the requirements of Section 148(f) of the Code. Section 148 of the Code requires, among other things and with certain exceptions, that any amounts earned on nonpurpose investments in excess of the amount which would have been earned if such investments were made at a rate equal to the yield on the Bonds be rebated to the United States. The Indenture requires the Agency to calculate such amount and deposit it into the Rebate Fund for eventual rebate to the United States Treasury.

Investment of Moneys in Funds and Accounts

Subject to the provisions of the Indenture, all moneys held by the Trustee in the Debt Service Fund, the Costs of Issuance Fund, the Redemption Account, or the Rebate Fund will be invested at the written direction of the Agency only in Permitted Investments. If the Trustee receives no written directions from the Agency as to the investment of moneys held in any fund or account, the Trustee shall request such written direction from the Agency and, pending receipt of instructions, will invest such moneys only in Permitted Investments described in subsection (5) of the definition thereof.

(a) Moneys in the Redevelopment Obligation Retirement Fund will be invested by the Agency only in obligations permitted by the Redevelopment Law which will by their terms mature not later than the date the Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Debt Service Fund will be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest and principal payment date there will be in such account, from matured obligations and other moneys already in such account, cash equal to the principal and interest payable on such payment date.

(c) Moneys in the Reserve Account will be invested in (i) obligations which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account.

(d) Moneys in the Rebate Fund will be invested in Defeasance Securities which mature on or before the date such amounts are required to be paid to the United States.

Except as otherwise provided in the Indenture, obligations purchased as an investment of moneys in any of the funds or accounts will be deemed at all times to be a part of such respective fund or account, and the interest accruing thereon and any gain realized from an investment will be credited to such fund or account and any loss resulting from any authorized investment will be charged to such fund or account without liability to the Trustee. The Agency or the Trustee, as the case may be, will sell or present for redemption any obligation purchased whenever it will be necessary to do so in order to provide moneys to meet any payment or transfer from such fund or account as required by the Indenture and will incur no liability for any loss realized upon such a sale. All interest earnings received on any moneys invested in the Interest Account, Principal Account, Redemption Account or Reserve Account, to the extent they exceed the amount required to be in such account, will be transferred on each Interest Payment Date to the Debt Service Fund. All interest earnings on moneys invested in the Rebate Fund will be retained in such fund and applied as set forth in the Indenture.

Covenants of the Agency

As long as the Bonds and Existing Parity Bonds are outstanding and unpaid, the Agency will (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture and the Existing Parity Bonds Indentures or in any Bond issued under the Indenture and the Existing Parity Bonds Indentures, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the Bonds and the Existing Parity Bonds and will tend to make them more marketable; provided, however, that the covenants do not require the Agency to expend any funds other than the Pledged Tax Revenues.

Covenant 1. *Use of Proceeds; Management and Operation of Properties.* The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and that it will manage and operate all properties owned by it comprising any part of the Project Area in a sound and businesslike manner.

Covenant 2. *No Priority.* The Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have any lien upon the Pledged Tax Revenues prior or superior to the lien of the Bonds and Existing Parity Bonds. Except as permitted by the Indenture, it will not issue any obligations, payable as to principal or interest, from the Pledged Tax Revenues, which have any lien upon the Pledged Tax Revenues on a parity with the Bonds authorized in the Indenture. Notwithstanding the foregoing, nothing in the Indenture shall prevent the Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Pledged Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all of the Outstanding Bonds and Existing Parity Bonds, (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Pledged Tax Revenues which is junior to the Bonds, or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Pledged Tax Revenues. As used in the Indenture “obligations” includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Covenant 3. *Punctual Payment.* The Agency covenants and agrees that it will duly and punctually pay, or cause to be paid, the principal of and interest on each of the Bonds and the Existing Parity Bonds on the date, at the place and in the manner provided in the Bonds and the

Existing Parity Bonds, and that it will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds and the Existing Parity Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service Fund and under the Existing Parity Bonds Indentures to replenish the reserve accounts held in connection with the Existing Parity Bonds, 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 Bonds and Existing Parity Bonds coming due in the respective six-month period, including, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Indenture and the Existing Parity Bonds Indentures and hereunder when the next property tax allocation is projected to be insufficient to pay all obligations due under the Existing Parity Bonds Indentures and the Indenture and for the next payment due thereunder and hereunder in the following six-month period.

Covenant 4. *Payment of Taxes and Other Charges.* The Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Agency or any of the properties then owned by it in the Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds and the Existing Parity Bonds or the use of Pledged Tax Revenues or other legally available funds to pay the principal of and interest on the Bonds and the Existing Parity Bonds, all to the end that the priority and security of the Bonds and the Existing Parity Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of the payment.

Covenant 5. *Books and Accounts; Financial Statements.* The Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Redevelopment Project and the Pledged Tax Revenues and other funds relating to the Project Area. The Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a postaudit of the financial transactions and records of the Agency for the Fiscal Year to be made by an Independent Certified Public Accountant appointed by the Agency, and will furnish a copy of the postaudit to the Trustee and any rating agency which maintains a rating on the Bonds, and, upon written request, to any Bondowner. The Trustee shall have no duty to review such postaudits.

Covenant 6. *Eminent Domain Proceeds.* The Agency covenants and agrees that if all or any part of the Redevelopment Project Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it shall take all steps necessary to adjust accordingly the base year property tax roll of the Project Area.

Covenant 7. *Disposition of Property.* The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Area (except property shown in the Redevelopment Plan in effect on the date the Indenture is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or

other persons or entities whose property is tax exempt, unless such disposition will not result in Pledged Tax Revenues to be less than the amount required for the issuance of Additional Parity Bonds as provided in the Indenture, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency. See “SECURITY FOR THE BONDS – Additional Parity Bonds.”

Covenant 8. *Protection of Security and Rights of Bondowners.* The Agency covenants and agrees to preserve and protect the security of the Bonds and the rights of the Bondowners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Agency that (i) except as modified by the Dissolution Act, the Redevelopment Law is unconstitutional or (ii) that the Pledged Tax Revenues pledged under the Indenture cannot be paid to the Agency for the debt service on the Bonds or (b) any other action affecting the validity of the Bonds or diluting the security therefor, including, with respect to the Pledged Tax Revenues, the senior lien position of the Bonds to the Pass-Through Agreements.

Covenant 9. *Tax Covenants.* The Agency covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the interest received by the Bondowners is includable in gross income of the recipient under federal income tax laws on the date of issuance of the Bonds. In order to preserve the exclusion from gross income of interest on the Bonds, and for no other reason, the Agency covenants to comply with all applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), together with any amendments thereto or regulations promulgated thereunder necessary to preserve such tax exemption as more specifically provided in the Indenture.

Covenant 10. *Compliance with Dissolution Act.* The Agency covenants that it will comply with the requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Agency with its covenants hereunder. The Agency covenants that in accordance with the Dissolution Act, it will petition the State Department of Finance for a written confirmation that its determinations with respect to the Bonds and the Existing Parity Bonds are final and conclusive.

Covenant 11. *Limitation on Indebtedness.* The Agency covenants and agrees that it has not and will not incur any loans, obligations or indebtedness repayable from Pledged Tax Revenues such that the total aggregate debt service on said loans, obligations or indebtedness incurred from and after the date of adoption of the Redevelopment Plan, when added to the total aggregate debt service on the Bonds and the Existing Parity Bonds, will exceed the maximum amount of Pledged Tax Revenues to be divided and allocated to the Agency pursuant to the Redevelopment Plan. The Agency shall file annually with the Trustee on or prior to August 1 of each year a Written Certificate of the Agency certifying that Pledged Tax Revenues received by the Agency through the date of the certificate combined with the amount remaining to be paid on all outstanding obligations of the Agency will not exceed the Plan Limit. To the extent it does, all Pledged Tax Revenues will be deposited in an escrow account and applied to the payment or redemption of such outstanding obligations at the next available redemption date.

Covenant 12. *Further Assurances.* The Agency covenants and agrees to adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

Covenant 13. *Continuing Disclosure.* The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement dated the Closing Date. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Events of Default and Remedies

The following events will constitute Events of Default under the Indenture:

- (a) if default is made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) if default is made by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default is continued for a period of thirty (30) days following receipt by the Agency of written notice from the Trustee or any Owner of the occurrence of such default; or
- (c) if the Agency commences a voluntary action under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the Bonds then Outstanding, the Trustee will by written notice to the Agency, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, and (b) upon receipt of indemnity to its satisfaction exercise any other remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee will give notice of such Event of Default to the Agency by telephone confirmed in writing. Such notice will also state whether the principal of the Bonds will have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee will, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Agency and the Owners in the same manner as provided herein for notices of redemption of the Bonds, which will include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee has declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the net effective rate then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorneys' fees, and any and all other defaults known to the Trustee (other than

in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provisions deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration

All of the Pledged Tax Revenues and all sums in the funds and accounts established and held by the Trustee upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee thereunder, will be applied by the Trustee in the order following, upon presentation of the Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest has been collected), and in case such moneys will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest or any Bond over any other Bond.

Amendments

Subject to the terms of the Indenture, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which will become binding upon adoption, without consent of any Owners, to the extent permitted by law for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or powers therein reserved to or conferred upon the Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not materially adversely affect the interests of the Owners; or

(c) to provide the issuance of Additional Parity Bonds pursuant to the Indenture, and to provide the terms and conditions under which such Additional Parity Bonds may be issued, including but not limited to the establishment of Redevelopment Obligation Retirement Funds and accounts relating thereto and any other provisions

relating solely thereto, subject to and in accordance with the provisions of the Indenture;
or

(d) to amend any provision thereof relating to the requirements of or compliance with the Code to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any of the Bonds, in the opinion of a nationally recognized bond counsel.

Except as set forth in the preceding paragraph and subject to the terms of the Indenture and the Existing Parity Bonds Indentures, the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which will become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

***THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF CALEXICO***

The Prior Agency was established by Resolution No. 1182 of the City Council on May 13, 1952, pursuant to the Redevelopment Law. On March 20, 1979, the City Council of the City adopted Ordinance No. 759 appointing the five members of the City Council as the governing body of the Agency. 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 January 10, 2012, pursuant to Resolution No. 2012-08 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 ____, 2012, established rules and regulations for the operations of the Agency to assume these successor functions pursuant to Resolution No. ____, 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 Calexico. The Mayor acts as the Chair of the Board, the City Manager as its Executive Director, the City Clerk as its Secretary and the Administrative Services Director of the City as the [Treasurer/Finance Officer] of the Agency.]

Members and Officers

The members and officers of the Agency and the expiration dates of their terms are as follows:

<u>Name and Office</u>	<u>Expiration of Term</u>
John Moreno, <i>Chair</i>	July 201
Joong S. Kim, <i>Vice Chair</i>	July 201
Maritza Hurtado, <i>Director</i>	July 201_
Luis J. Castro, <i>Director</i>	July 201_
Bill Hodge, <i>Director</i>	July 201_

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

Pledged 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 Pledged Tax Revenues that provide for the repayment of and secure the Bonds, the Existing Parity Bonds, and any Additional Parity Bonds. Such reduction of Pledged Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution" below, 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 Pledged Tax Revenues securing the Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Pledged 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 Pledged 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 Pledged Tax Revenues and adversely affect the source of repayment and security of the Bonds, the Existing Parity Bonds, and any Additional Parity 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 Pledged 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 is 2.00%, which is the maximum permissible increase under Article XIII A. 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 Pledged 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 Pledged 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 Pledged Tax Revenues by the Agency.

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 Pledged Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Agency to repay 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 Pledged 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 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, AB X1 27 was found in December 2011 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). 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 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. The text of the 2012-13 Budget Summary, the current State budget, and other documents related to the State budget may be found on the website of the State Department of Finance at www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at 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 on the website of the State Treasurer at www.treasurer.ca.gov.

The websites or webpages referenced herein are in no 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. Pledged 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 was to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Pledged 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 Bonds and the Existing Parity Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service 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 Bonds and the Existing Parity 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 and the Existing Parity Bonds Indentures or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds and the Existing Parity Bonds for the next payment due in the following six-month period. See “THE INDENTURE – Covenants of the Agency”.

AB 1484 also adds new provisions to the Dissolution Act implementing 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 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 no later than September 1, 2012 with respect to the six-month period of January 1, 2013 through June 30, 2013 and by 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period, commencing with the July 1, 2013 through December 31, 2013 period. 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 does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by September 11, 2012, with respect to the Recognized Obligation Payment Schedule for the first half of calendar year 2012, or by the 80th 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.

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 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 Pledged 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 process described above, and on December 3, 2012, the State Department of Finance issued a letter to the Agency making no adjustments and concurring that the Agency has no unencumbered affordable housing fund balances available for distribution to taxing entities. As to non-housing funds, the Agency [has also completed the process described above, and on September 12, 2013, the State Department of Finance issued a letter to the Agency making some adjustments and determining that the Agency had \$3,961,372 in unencumbered non-housing fund balances available for distribution to taxing entities.

On October 3, 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 Pledged 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 Bonds and the Existing Parity Bonds.

Estimated Revenues

In estimating that Pledged 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 Pledged Tax Revenues available to pay debt service on the Existing Parity Bonds and the Bonds will be less than those projected and such reduced Pledged 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

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. The Project Area is located in a seismically active region of Southern California and faults are located near the Project Area. In the event of property damage caused by an earthquake, the assessed valuation of affected property could be reduced. Such a reduction of assessed valuations could result in a reduction of the Pledged Tax Revenues that secure the Bonds, which in turn could impair the ability of the Agency to make payments of principal of and interest on the Bonds when due.

The Alquist-Priolo Earthquake Fault Zone Act, passed in 1972 by the State of California, requires the State Geologist to establish regulatory zones (known as Earthquake Fault Zones) around the surface traces of active faults and issue appropriate maps to assist in the mitigation of the hazard of surface faulting to structures for human occupancy. The State of California is located on the San Andreas Fault which represents a portion of the boundary between the North American Plate and the Pacific Plate. The Imperial Valley is located in what is known as the Salton Trough, bordered on the east by the San Andreas Fault and Imperial Fault, and to the west by the San Jacinto-Coyote Creek Fault and Elsinore-Laguna Salada Fault. The Salton Trough is one of the most seismically active areas in the United States.

In the last one hundred years, there have been eleven earthquakes that have measured at least magnitude 6.0 on the Richter scale. In 1940, there was a magnitude 7.1 earthquake that occurred along the Imperial Fault that killed 7 people, destroyed numerous structures, and caused major crop damage from flooding; the International Canal was moved more than 14 feet off its course during that earthquake. In April, 2010, there was an earthquake about 30 miles southeast of the City, in Baja California, Mexico. The earthquake measured 7.2 on the richter scale and caused damage to the property in the Project Area, which led to a number of requests for rehabilitation loans and grants for homes and businesses. [***Update to reflect 2010 earthquake's impact on assessed values.*** It is likely that assessed values in the Project Area will be negatively impacted by damage due to the earthquake. However, as of the date of this Official Statement, the Agency cannot predict what the effect on assessed values will be.]

Risk of Floods

According to the Safety Element of the City's General Plan, adopted in 2002, flooding is a natural hazard that is unlikely to affect the City of Calexico under normal rain and run-off conditions. The Federal Emergency Management Agency hazard area map of Calexico shows that the 500 year floodplain of the New River within the City is contained within the area north of the Calexico International Airport that is currently zoned as Open Space land. However, conditions upstream in Mexico do affect the river. As the Mexicali area becomes more urbanized with nothing heretofore having been done to control urban runoff there, the potential for flooding

could increase in downstream areas such as Calexico. In addition, flooding could result from seismic damage to a major canal. The City is traversed by two major canals: the All American and the Central Main. For more information, see the Safety Element of the City's General Plan on file with the 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 Pledged Tax Revenues that secure the Bonds.

Fire Hazards

The Safety Element of the City's General Plan states that downtown Calexico is susceptible to fires because many of the structures were built in the early 1900s and are constructed of wood. Additionally, some buildings lack space between them, thus increasing the chances that a fire could spread to numerous buildings. Also, many of the buildings in downtown Calexico have not been retrofitted for seismic activity and do not contain sprinkler systems.

The City's General Plan states that the City has a low risk of damage from wildfires due to the fact that the undeveloped areas around and outside of the City are either irrigated farm land or sparsely vegetated desert land. For more information, please see the Safety Element of the City's General Plan on file with the City Clerk.

As with seismic hazards and flood hazards, the occurrence of 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 Parity Obligations

The potential for the issuance of Additional Parity Bonds could, in certain circumstances, increase the risks associated with the Agency's payment of debt service on the Bonds and the Existing Parity Bonds in the event of a decrease in the Agency's collection of Pledged 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 Parity Bonds is subject to the requirements of the Dissolution Act as in effect from time to time. See "SECURITY FOR THE BONDS – Additional Parity 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 September 20, 2014.

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 Pledged 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 Pledged Tax Revenues to the Agency rely) are invalidated by a final judicial decision, then Pledged 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 raise issues regarding the unconstitutional impairment of contracts or an 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 Pledged Tax Revenues for the payment of debt service on the Bonds and the 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 the Agency's ability to timely pay debt service on the Bonds.

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, Pledged 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 \$142,788, and for Fiscal Year 2014-15 the County's administrative charge to the Agency for the Project Area is estimated to be \$129,431.

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 "MERGED CENTRAL BUSINESS DISTRICT AND RESIDENTIAL REDEVELOPMENT PROJECT AREA – 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 "MERGED CENTRAL BUSINESS DISTRICT AND RESIDENTIAL REDEVELOPMENT PROJECT AREA – Statutory Pass-Throughs" and "SECURITY FOR THE BONDS – Tax Increment Financing."

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. Pledged 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."

Unitary Property

Assembly Bill ("AB") 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive that same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

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.

Redevelopment Time Limits

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.

In 2001, the California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 (“SB 211”), which authorized, among other things, the deletion by ordinance of the legislative body of the AB 1290 limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994. However, such elimination triggers statutory tax sharing with those taxing entities that do not have Pass-Through Agreements. On June 8, 2005, the City adopted Ordinance No. 1022, pursuant to the authorization contained in SB 211, deleting the time limit on the Agency’s authority to incur loans, advances and indebtedness with respect to the Project Area.

SB 211 also prescribed additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

Legislation passed in 2003 (SB 1045) and 2004 (SB 1096) required redevelopment agencies to remit monies to the applicable county Educational Revenue Augmentation Fund (“ERAF”) and also permitted redevelopment agencies to extend their ability to collect tax increment by one year for each payment required by such legislation to be made in 2003-04, 2004-05 and 2005-06. The extensions for 2004-05 and 2005-06 apply only to plans with existing limits on the effectiveness of the plan that are less than 20 years from the last day of the fiscal year in which the ERAF payment is made. The City adopted ordinances, pursuant to the authorization granted in SB 1045 and SB 1096, extending the time limits on the effectiveness of the Redevelopment Plan and the receipt of tax increment. See “MERGED CENTRAL

**BUSINESS DISTRICT AND RESIDENTIAL REDEVELOPMENT PROJECT AREA –
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 Pledged 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 “MERGED CENTRAL BUSINESS DISTRICT AND RESIDENTIAL REDEVELOPMENT PROJECT AREA – 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.

Notwithstanding Proposition 8, the assessed valuation of property in the Project Area has increased each year in Fiscal Years [2008-09 through 2011-12]. See “PLEDGED REVENUES – Schedule of Historical Pledged Revenues” and “APPENDIX G – FINANCIAL ADVISOR’S REPORT.” However, 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, Pledged Tax Revenues that secure the Existing Parity Bonds, the Bonds and any Additional Parity 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. Pledged Tax Revenues securing the Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges that are limited by Proposition 218, and are outside of the scope of taxes that 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.

MERGED CENTRAL BUSINESS DISTRICT AND RESIDENTIAL REDEVELOPMENT PROJECT AREA

The Merged Central Business District and Residential Redevelopment Project Area are part of the City. The City of Calexico is located approximately seven miles south of U.S. Interstate 8 at the junction of State Routes 111 and 98. The City serves as a major port of entry for agricultural and industrial goods produced in Baja California and as a retail and service center for surrounding areas. The Southern Pacific Railroad links El Centro to Mexico via Calexico and consists of approximately 2,298 acres in twenty-four non-contiguous areas within the City.

The Central Business District Project Area contains 183 acres in one contiguous area, while the Residential Project Area consists of 328 acres in four non-contiguous areas. Existing land uses in the merged Project Area are residential, commercial, industrial, governmental and institutional.

As set forth in Agency documents, the Redevelopment Plan proposes to eliminate blighted conditions and encourage new economic investment in the community. Below market rate financing is and has been used to increase the supply of affordable housing as well as commercial rehabilitation grant programs. The Agency has taken an active role in providing such financing programs in recent years.

The Project Area has increased in size since initially established. Amendment No. 1 to the Merged Central Business District and Residential Redevelopment Project Area was adopted

on July 18, 1989 by Ordinance No. 905, adding approximately 342 acres (the “Amendment No. 1 Area”) to the existing Merged Redevelopment Project, while Amendment No. 2 adopted on June 30, 1992 by Ordinance No. 920 added approximately 991 acres (the “Amendment No. 2 Area”), and Amendment No. 3 adopted on December 28, 1993 by Ordinance No. 930 added approximately 300 acres (the “Amendment No. 3 Area”).

The Amendment No. 1 Area consists of seven non-contiguous sub-areas generally located in the northern and western sections of the City of Calexico which are predominantly urbanized and contain residential and non-residential uses as well as previously cultivated and vacant land.

The Amendment No. 2 Area contains approximately 991 acres, divided into five noncontiguous sub-areas, generally located in the northern and western sections of the City. Much of Amendment No. 2 Area is developed with commercial and residential uses.

The Agency believes the implementation of Amendment No. 2 will provide the Agency with a financing mechanism to supplement funding of needed public facilities. The Agency believes the use of tax increment financing will make possible a variety of residential and commercial improvement projects as well as traffic/circulation and infrastructure improvement/rehabilitation projects, which will work towards the elimination of deficient conditions within the Amendment No. 2 Area.

The Amendment No. 3 Area contains approximately 300 acres, divided into five non-contiguous sub-areas, generally located in the northern and western sections of the City. The Amendment No. 3 Area is predominantly urbanized, with residential, commercial, industrial, governmental and institutional land uses.

It is expected that a redevelopment of the Project Area will be achieved through the removal or rehabilitation of physically obsolete or substandard structures and other physical blighting influences, the rehabilitation of existing commercial and industrial buildings, and the construction or reconstruction of streets, utilities, curbs, gutters, sidewalks and other associated public improvements. Public improvements necessary for the Project Area to stimulate additional residential, commercial and industrial activities include parking lots, streets, sidewalks, lights, water lines, traffic signals, and new road construction to alleviate congestion problems found at the border.

Limitations and Requirements of the Redevelopment Plan

Pursuant to the Redevelopment Plan, as amended, the total tax increment revenues received by the Agency over the life of the Redevelopment Project cannot exceed a combined total of \$300,000,000 and the total amount of outstanding bonded indebtedness incurred by the Agency, payable from tax increment revenues which can be outstanding at any one time cannot exceed \$75,000,000. As of the date of this Official Statement, the Agency has received approximately \$96,682,729 in tax increment revenues and has \$____ in Outstanding bonded indebtedness (including the Existing Parity Bonds and the Bonds, based on an original aggregate principal amount of the Bonds of \$____*)

In compliance with the Redevelopment Law, not less than 20% of the tax increment revenues received from the Project Area must be used for the purpose of increasing and improving the supply of housing for families of low and moderate incomes.

* Preliminary, subject to change.

The Redevelopment Plan, as amended, provides that no loan, advance or indebtedness to finance, in whole or in part, the Project Area shall be established after twenty (20) years from the effective date of the ordinance approving the Redevelopment Plan or January 1, 2004 whichever comes later. In 2001, the California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 (“SB 211”), which authorized, among other things, the deletion by ordinance of the legislative body of the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994. On June 8, 2005, the City adopted Ordinance No. 1022, pursuant to the authorization contained in SB 211, deleting the time limit on the Agency’s authority to incur loans, advances and indebtedness with respect to the Project Area. See “PROPERTY TAXATION IN CALIFORNIA – Redevelopment Time Limits.”

Pass-Through Agreements

The Agency has not entered into any tax sharing agreements with any taxing entity in connection with the Central Business District Project Area.

The Agency has entered into a tax sharing agreement with the County of Imperial (the “County”) with regard to the Residential Redevelopment Project Area. This agreement provides for the County to receive 50% of the tax increment revenues which the County would receive but for the Residential Redevelopment Plan. For purposes of the County, the base year for valuation purposes is 1980-81. All other tax increment revenues are based on the 1978-79 base year.

The Agency has entered into five agreements (each a “Pass-Through Agreement” and collectively the “Pass-Through Agreements”) for allocation and distribution of tax increment funds within the Amendment No. 1 Area which are set forth as follows:

(1) The first agreement, with the County, states that the County shall receive 60% of the annual tax increment revenues which the County would receive but for the Amendment;

(2) The second agreement is with the Calexico Unified School District (“CUSD”), and states that CUSD shall receive its share of the inflationary revenue (as defined by California Revenue and Taxation Code Section 110.1(f)) and 50% of the annual tax increment revenues which CUSD would receive but for the Amendment after reduction of the inflationary revenue. In return, CUSD will contribute a pro rata portion of the Agency’s legally required contribution to the Low and Moderate Income Housing Fund;

(3) The third agreement is with the Heffernan Memorial Hospital District (the “Hospital District”), and states that the Hospital District shall receive 100% of the annual tax increment revenue which the Hospital District would receive but for the Amendment;

(4) The fourth agreement is with the County Superintendent of Schools, and states that the Agency shall deposit annually in a trust fund the Superintendent’s share of the Amendment No. 1 Area tax increment revenue generated by a 2% increase in assessed valuation or any tax rate increase on behalf of the Superintendent, and 33% of the Superintendent’s share of the Amendment No. 1 Area tax increment revenue generated by assessed valuation growth in excess of 2%; and

(5) The fifth agreement is with the Imperial County Community College District (“ICCCD”) and states that the Agency shall deposit annually in a trust fund ICCCD’s share of the Amendment No. 1 Area tax increment revenues generated by a 2% increase in assessed valuation or any tax rate increase on behalf of ICCCD, and 33% of ICCCD’s share of the Amendment No. 1 Area tax increment revenue generated by assessed valuation growth in excess of 2%.

The Agency has entered into five agreements for allocation and distribution of tax increment funds within the Amendment No. 2 Area which are set forth as follows:

(1) The first agreement, with the County, states that the County shall receive 60% (90% in certain areas of the Amendment No. 2 Area) of the annual tax increment revenues which the County would receive but for the Amendment, less the County's pro rata share of the amount the Agency is required to set aside in the Low and Moderate Income Housing Fund;

(2) The second agreement is with CUSD and states that CUSD shall receive 50% of the annual tax increment revenues, which CUSD would receive but for the Amendment No. 2 Area, less CUSD's pro rata share of the amount the Agency is required to set aside in the Low and Moderate Income Housing Fund;

(3) The third agreement is with the Hospital District, and states that the Hospital District shall receive 100% of the annual tax increment revenues which the Hospital District would receive but for the Amendment No. 2 Area;

(4) The fourth agreement is with the County Superintendent of Schools District, and states that the District shall receive its share of the Amendment No. 2 Area tax increment generated by a 2% increase in assessed valuation or any tax rate increase on its behalf, and one-third of the annual tax increment revenues, which the District would receive but for the Amendment No. 2 Area; and

(5) The fifth agreement is with ICCCD, and states that ICCCD shall receive its share of the Amendment No. 2 Area tax increment generated by a 2% increase in assessed valuation or any tax rate increase on his behalf, and one-third of the annual tax increment revenues, which ICCCD would receive but for the Amendment No. 2 Area.

The Agency has entered into five agreements for allocation and distribution of tax increment funds within the Amendment No. 3 Area which are set forth as follows:

(1) The first agreement, with the County, states that the County shall receive 60% of the annual tax increment revenues, which the County would receive but for the Amendment net of the Low and Moderate Income Housing Fund;

(2) The second agreement is with CUSD, and states that CUSD shall receive 50% of the annual tax increment revenues, which CUSD would receive but for the Amendment No. 3 Area, less CUSD's pro rata share of the amount the Agency is required to set aside in the Low and Moderate Income Housing Fund;

(3) The third agreement is with the Hospital District, and states that the Hospital District shall receive 100% of the annual tax increment revenues which the Hospital District would receive but for the Amendment No. 3 Area;

(4) The fourth agreement is with the County Superintendent of Schools District, and states that the District shall receive 50% of the annual tax increment revenues, which the District would receive but for the Amendment No. 3 Area net of Low and Moderate Income Housing Funds and the County Property Tax Administration fee; and

(5) The fifth agreement is with ICCCD, and states that ICCCD shall receive 37.5% of the annual tax increment revenues, which ICCCD would receive but for the Amendment No. 3 Area net of Low and Moderate Income Housing Funds and the County Property Tax Administration fee.

Subordinate Pass-Through Agreements. The Agency's obligations under the Pass-Through Agreements with CUSD (with respect to the Amendment No. 1 Area, the Amendment No. 2 Area and Amendment No. 3 Area) and the Pass-Through Agreements with the County and the Hospital District (with respect to the Amendment No. 2 Area and Amendment No. 3 Area only), and ICCCD and County Superintendent of Schools District (with respect to Amendment No. 3 Area only) are subordinate to the Agency's obligations to pay debt service on the Bonds, the Existing Parity Bonds and any Additional Parity Bonds, provided that the Agency obtains an opinion of an independent redevelopment or financial consultant that it is not reasonably foreseeable that such indebtedness would impair the Agency's obligations under such Pass-Through Agreements. The Agency will be receiving such an opinion from Urban Futures, Inc., its financial advisor, in order to make the pass-through payments under such pass-through agreements subordinate to the Bonds. See "PLEGGED REVENUES" herein. [*add brief discussion of 2011 Bonds secured by school district pass throughs*].

Under the Dissolution Act, the Agency is no longer responsible for the payment of pass-through amounts under the Pass-Through Agreements. Instead, 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 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. If, however, (a) the Agency determines and reports, no later than December 1 or May 1, as applicable (i.e., by May 1, 2013 with respect to the Recognized Obligation Payment Schedule for July 1, 2013 through December 31, 2013), 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, are 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, and (b) 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.

The Agency cannot guarantee that the process prescribed by the Dissolution Act of administering the Pledged Tax Revenues and the subordinations provided in the Pass-Through Agreements will effectively result in adequate Pledged Tax Revenues for the payment of principal and interest on the Bonds when due. [However, with respect to the January 2, 2013 distribution, the Agency reported that the distribution amount initially provided by the County Auditor-Controller to the Agency per the Dissolution Act would be insufficient for the Agency's enforceable obligations, and pursuant to the Dissolution Act's subordination provisions described above, approximately ___% of the Agency's aggregate pass-through payments for January 2, 2013 were successfully subordinated and paid to the Agency instead of the applicable tax sharing entities.] See "SECURITY FOR THE BONDS – Tax Increment Financing" and "– Recognized Obligation Payment Schedule."

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

Statutory Pass-Throughs

Assembly Bill No. 1290, enacted on October 8, 1993 as Chapter 942, Statutes of 1993, and effective January 1, 1994, eliminated the statutory authority for negotiated pass-through agreements and provided a formula, pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, for mandatory tax sharing applicable to projects adopted after January 1, 1994 or amended after that date to add territory ("Added Territory Amendment").

AB 1290 also added a time limit on the establishment of loans, advances and indebtedness. The Redevelopment Law was subsequently amended by SB 211 (see “PROPERTY TAXATION IN CALIFORNIA – Redevelopment Time Limits”) so as to allow agencies to eliminate this limitation provided that the Agency makes payment to the affected taxing agencies, which do not otherwise have a Pass-Through Agreement, pursuant to Section 33607.7 of Redevelopment Law (and through it Section 33607.5) of the Redevelopment Law (“Time Limit Amendment”). In the case of a Time Limit Amendment, the Agency is to pay affected taxing agencies a percentage of tax increment generated throughout the Project Area based on the assessed value of the property within the Project Area in the year in which the limitation on the establishment of loans, advances and indebtedness which would have otherwise become effective, with payment commencing in the first fiscal year following the fiscal year in which the limitation was eliminated.

In the case of a Time Limit Amendment, the Agency adopted Ordinance No. 1022 on June 8, 2005, which eliminated the time limit on the establishment of loans, advancements, and indebtedness for all territories within the Project Area. In the case of a Time Limit Amendment, the Statutory Pass-Through Amounts are only payable to taxing entities which do not otherwise have Pass-Through Agreements with the Agency.

[*Revise* - The Statutory Pass-Through Amounts are paid to all affected taxing agencies but only with respect to the territory added by the Amendment, in this case the 20__Amendment]. In addition, under the Redevelopment Law, the Statutory Pass-Through Amounts were paid, in both cases, after deducting the amount required to be deposited in the Low and Moderate-Income Housing Fund. The Dissolution Act preserves this calculation method, stating that the amount of pass-through payments computed for distribution by the County Auditor-Controller to the taxing entities, such as the Pass-Through Agreements or the Statutory Pass-Through Amounts, will be computed as through the requirement to set aside funds for the Low and Moderate income Housing Fund were still in effect.

The formula Statutory Pass-Through Amounts is described in Section 33607.5 of the Redevelopment Law and is, generally, as follows:

1. commencing in the first fiscal year after the limitation has been reached (or the amendment has been adopted in the case of a post January 1, 1994 plan amendment adding territory to the redevelopment plan), an amount equal to 25% of tax increment generated by the incremental increase of the current year assessed valuation over the assessed valuation in the fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;

2. in addition to amounts payable as described in (a) above, commencing in the 11th fiscal year after the limitation has been reached (or the amendment has been adopted in the case of a post January 1, 1994 plan amendment adding territory to the redevelopment plan), an amount equal to 21% of tax increment generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 10th fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted; and

3. in addition to amounts payable, as described in (a) and (b) above, commencing in the 31st fiscal year after the limitation has been reached (or the amendment has been adopted in the case of a post January 1, 1994 plan amendment adding territory to the redevelopment plan), an amount equal to 14% of tax increment generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 30th fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.

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 2013-14 secured property tax roll.

	Name	Primary Land Use	2013-14 Assessed Valuation	Percent of Total Assessed Valuation ⁽¹⁾
1)	Wal-Mart Real Estate Business Trust	Commercial	\$18,642,644	3.25%
2)	P W I P LLC 17.50 Int	Commercial	16,599,723	2.89
3)	Victoria Manor Senior Apartments LP	Residential	9,444,158	1.65
4)	Smith's Food & Drug Centers Inc	Commercial	7,974,402	1.39
5)	C W & Associates Ltd	Commercial	5,596,055	0.98
6)	Towncenter Plaza LLC	Industrial	5,564,384	0.97
7)	Hpd Villa Del Este LP	Residential	5,308,923	0.93
8)	El Paseo-Calexico LLC	Commercial	5,056,873	0.88
9)	Border Patrol Properties Inc.	Public	4,740,904	0.83
10)	Choi John H & Stacy Unyong	Commercial	4,680,000	0.82
		Total	\$83,608,066	14.57%

⁽¹⁾ Based on Fiscal Year 2013-14 secured assessed valuation of \$573,898,612.

Source: Urban Futures, Inc. with information from the Imperial County 2013-14 Secured Property Tax Roll.

Land Uses

The types of land use in the Project Area for Fiscal Year 2013-14 is set forth in the following table:

**Merged Project Area
Secured Assessed Value and Parcels by Land Use
Fiscal Year 2013-14**

Land Use	Number of Parcels	2013-14 Secured Assessed Value	Percent of Secured Assessed Value
Single Family Residential	2,326	\$270,388,256	47.11%
Commercial	272	183,563,508	31.99
Industrial	53	44,265,895	7.71
Multi Family Residential	25	34,287,461	5.97
Vacant Industrial	115	16,996,025	2.96
Governmental/Institutional/Other	88	13,703,261	2.39
Vacant Commercial	49	8,014,397	1.40
Vacant Residential	30	2,431,102	0.42
Recreational	2	215,678	0.04
Vacant Governmental/Institutional/Other	21	33,029	0.01
Total	2,981	\$573,898,612	100.00%

⁽¹⁾ Based on Fiscal Year 2013-14 secured assessed valuation of \$573,898,612.

Source: Urban Futures, Inc. with information from the Imperial County 2013-14 Secured Property Tax Roll.

PLEDGED REVENUES

Pledged Revenues (as described in the section “SECURITY FOR THE BONDS” herein) are to be deposited in the Redevelopment Obligation Retirement Fund, and thereafter, transferred by the Agency to the Debt Service 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 Assessed Values and Incremental Revenues

The following table is a schedule of the taxable valuations and resulting incremental revenues in the Project Area for the Fiscal Years 2010-11 through 2014-15.

	2010-11	2011-12	2012-13	2013-14	2014-15
Total Assessed Valuation	\$669,298,639	\$626,609,276	\$618,164,965	\$604,676,147	\$601,069,427
Less: Base Year Valuation	(77,079,261)	(77,079,261)	(77,079,261)	(77,079,261)	(77,079,261)
Incremental Valuation	\$592,219,378	\$549,530,015	\$541,085,704	\$527,596,886	\$523,990,166
Typical Tax Rate/\$100	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Gross Incremental Revenues	\$5,922,194	\$5,495,300	\$5,410,857	\$5,275,969	\$5,239,902
Unitary Revenues ⁽¹⁾	86,483	86,483	86,483	86,483	86,483
Total Gross Revenue	\$6,008,677	\$5,581,783	\$5,497,340	\$5,362,452	\$5,326,385
Less: County Admin Fee	(88,833)	(82,430)	(110,523)	(130,266)	(129,431)
Less Senior Pass Throughs ⁽²⁾	(504,610)	(442,163)	(442,898)	(427,656)	(410,768)
Tax Revenues⁽³⁾	\$5,415,234	\$5,057,190	\$4,943,919	\$4,804,530	\$4,786,186

⁽¹⁾ Estimated, based on fiscal year 2010-11 actual amount of unitary revenues.

⁽²⁾ A few of the Pass-Through Agreements are subordinate to the Bonds. See “Merged Central Business District and Residential Redevelopment Project Area – Pass-Through Agreements.”

⁽³⁾ Includes former low and moderate income housing set-aside amounts.

Source: Urban Futures, Inc.

Projected Assessed Values 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-FINANCIAL ADVISOR’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 Pledged 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 Pledged Tax Revenues is as follows:

	2015-16	2016-17	2017-18	2018-19	2019-20
Total Assessed Valuation ⁽¹⁾	\$613,090,816	\$625,352,632	\$637,859,684	\$650,616,878	\$663,629,216
Less: Base Year Valuation	(77,079,261)	(77,079,261)	(77,079,261)	(77,079,261)	(77,079,261)
Incremental Valuation	\$536,011,555	\$548,273,371	\$560,780,423	\$573,537,617	\$586,549,955
Typical Tax Rate/\$100	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Gross Incremental Revenues	\$5,360,116	\$5,482,734	\$5,607,804	\$5,735,376	\$5,865,500
Unitary Revenues ⁽²⁾	86,483	86,483	86,483	86,483	86,483
Total Gross Revenues	\$5,446,599	\$5,569,217	\$5,694,287	\$5,821,859	\$5,951,983
Less: County Admin Fee	(132,353)	(135,333)	(138,371)	(141,471)	(144,633)
Less Senior Pass Throughs ⁽³⁾	(428,836)	(451,560)	(477,366)	(503,688)	(530,536)
Tax Revenues⁽⁴⁾	\$4,885,410	\$4,982,324	\$5,078,550	\$5,176,700	\$5,276,814

⁽¹⁾ Based on actual fiscal year 2014-15 assessed valuation, with projected 2% assessed valuation growth annually thereafter.

⁽²⁾ Estimated, based on fiscal year 2010-11 actual amount of unitary revenues.

⁽³⁾ A few of the Pass-Through Agreements are subordinate to the Bonds. See “Merged Central Business District and Residential Redevelopment Project Area – Pass-Through Agreements.”

⁽⁴⁾ Includes former low and moderate income housing set-aside amounts.

Source: Urban Futures, Inc.

Annual Debt Service*

Set forth below is the annual debt service (assuming minimum sinking account payments) for the term of the Bonds.

**Merged Central Business District and Residential Redevelopment Project Area
Annual Debt Service**

Maturity Date (August 1)	Principal	Interest	Total Debt Service
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
Total	\$(principal amount).00		

Combined Annual Debt Service

Set forth below is the annual debt service (assuming minimum sinking account payments) for the term of the Bonds and the Outstanding Existing Parity Bonds.

Merged Central Business District and Residential Redevelopment Project Area, Combined Annual Debt Service

Fiscal Year	2000 Bonds	2006 Bonds	2011 Bonds	2014 Bonds	Total Debt Service
2014-15	\$59,263	\$459,935	\$516,200	\$1,876,593	\$2,911,991
2015-16	57,988	458,248	516,200	1,882,200	2,914,635
2016-17	56,713	461,560	516,200	1,878,600	2,913,073
2017-18	55,369	459,560	516,200	1,883,200	2,914,329
2018-19	54,025	457,560	516,200	1,885,600	2,913,385
2019-20	52,682	460,560	516,200	1,885,800	2,915,242
2020-21	51,338	458,360	516,200	1,883,800	2,909,698
2021-22	49,994	461,160	516,200	1,884,600	2,911,954
2022-23	48,650	458,760	516,200	1,888,000	2,911,610
2023-24	47,307	461,285	516,200	1,892,750	2,917,542
2024-25	410,963	1,433,604	516,200	668,250	3,029,017
2025-26		1,845,704	516,200	665,750	3,027,654
2026-27		1,849,035	516,200	667,000	3,032,235
2027-28		1,843,515	516,200	666,750	3,026,465
2028-29		1,845,475	716,200		2,561,675
2029-30		1,844,425	721,700		2,566,125
2030-31			2,565,750		2,565,750
2031-32			2,564,950		2,564,950
2032-33			2,563,275		2,563,275
Total	\$944,289	\$15,258,745	\$16,358,675	\$21,508,893	\$54,070,602

Debt Service Coverage

Set forth below is the estimated debt service coverage of the Bonds and the Existing Parity Bonds using a no growth Fiscal Year 2014-15 Pledged Tax Revenues through maturity.

Estimated Debt Service Coverage (No Growth Scenario)

Fiscal Year	Projected Pledged Tax Revenues ⁽¹⁾	Combined Bonds and Existing Parity Bonds Debt Service	Debt Service Coverage	Projected Pledged Tax Revenues after all Pass Throughs ⁽²⁾	Debt Service Coverage after all Pass Throughs ⁽³⁾
2014-15	\$4,786,186	\$2,911,991		\$3,731,174	
2015-16		2,914,635			
2016-17		2,913,073			
2017-18		2,914,329			
2018-19		2,913,385			
2019-20		2,915,242			
2020-21		2,909,698			
2021-22		2,911,954			
2022-23		2,911,610			
2023-24		2,917,542			
2024-25		3,029,017			
2025-26		3,027,654			
2026-27		3,032,235			
2027-28		3,026,465			
2028-29		2,561,675			
2029-30		2,566,125			
2030-31		2,565,750			
2031-32		2,564,950			
2032-33 ⁽⁴⁾		2,563,275			
Total		\$54,070,602			

(1) Based on actual fiscal year 2014-15 assessed valuation, with no valuation growth annually thereafter.

(2) Net of all pass through payments.

(3) Excess coverage amounts are not available to the Agency unless for approved administrative amounts or other approved enforceable obligations. See "RISK FACTORS – Recognized Obligation Payment Schedule."

(4) Final maturity of the Bonds.

Set forth below is the estimated debt service coverage of the Bonds and the Existing Parity Bonds using a 2% annual growth scenario for Fiscal Year 2012-13 Pledged Tax Revenues through maturity.

**Estimated Debt Service Coverage
(2% Growth Scenario)**

Fiscal Year	Projected Pledged Tax Revenues ⁽¹⁾	Combined Bonds and Existing Parity Bonds Debt Service	Debt Service Coverage	Projected Pledged Tax Revenues after all Pass Throughs ⁽²⁾	Debt Service Coverage after all Pass Throughs ⁽³⁾
2014-15	\$4,786,186	\$2,911,991	164%	\$3,731,174	128%
2015-16	4,885,410	2,914,635	168%	3,808,559	131%
2016-17	4,982,324	2,913,073	171%	3,883,195	133%
2017-18	5,078,550	2,914,329	174%	3,956,697	136%
2018-19	5,176,700	2,913,385	178%	4,031,669	138%
2019-20	5,276,814	2,915,242	181%	4,108,141	141%
2020-21	5,378,929	2,909,698	185%	4,186,142	144%
2021-22	5,483,087	2,911,954	188%	4,265,703	146%
2022-23	5,589,328	2,911,610	192%	4,346,855	149%
2023-24	5,697,694	2,917,542	195%	4,429,631	152%
2024-25	5,808,227	3,029,017	192%	4,514,061	149%
2025-26	5,920,970	3,027,654	196%	4,600,181	152%
2026-27	6,035,969	3,032,235	199%	4,688,023	155%
2027-28	6,153,268	3,026,465	203%	4,777,621	158%
2028-29	6,272,912	2,561,675	245%	4,869,012	190%
2029-30	6,394,950	2,566,125	249%	4,962,230	193%
2030-31	5,168,662	2,565,750	201%	4,034,174	157%
2031-32	5,275,578	2,564,950	206%	4,117,696	161%
2032-33 ⁽⁴⁾	5,384,632	2,563,275	210%	4,202,889	164%
Total	\$104,750,190	\$54,070,602		\$81,513,652	

(1) Based on actual fiscal year 2014-15 assessed valuation, with projected 2% assessed valuation growth annually thereafter.

(2) Net of all pass through payments.

(3) Excess coverage amounts are not available to the Agency unless for approved administrative amounts or other approved enforceable obligations. See "RISK FACTORS – Recognized Obligation Payment Schedule."

(4) Final maturity of the Bonds.

CONCLUDING INFORMATION

Underwriting

The Bonds have been sold at a net interest rate of ____%. The original purchase price (including the net reoffering premium in the amount of \$____ and less an underwriter's discount of \$____) to be paid for the Bonds is \$____. The Underwriter intends to offer the Bonds to the

public initially 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 reallow any such discounts on sales to other dealers.

Legal Opinion

The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, approving the validity of the Bonds and stating that interest and original issue discount on the Bonds is excluded from gross income for federal income tax purposes and such interest and original issue discount 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

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond. The amount of original issue discount that accrues to the Beneficial Owner of the Bonds is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds (including any original issue discount) is based upon certain representations of fact and certifications made by the Agency, the City, the Underwriter and others and is subject to the condition that the Agency complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds (including any original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds (including any original issue discount) to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Beneficial Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinion may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur.

The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest on the Bonds (including any original issue discount) is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds (including any original issue discount) may otherwise affect the tax liability of the recipient. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is attached hereto in Appendix C.

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.

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.

Rating

Standard & Poor's Ratings Group has assigned their municipal rating of “__” [with a “Stable” outlook] to this issue of Bonds. This rating reflects the view of Standard & Poor's as to the credit quality of the Bonds. The rating reflects only the view of Standard & Poor's, and explanation of the significance of the rating may be obtained from Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041 (212) 512-3108. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Standard & Poor's, if in the judgment of Standard & Poor's, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Continuing Disclosure

Pursuant to a Continuing Disclosure Agreement with Urban Futures, Inc., 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, including its postaudit of the financial transactions and records of the Successor Agency for the applicable fiscal year pursuant to Section 34177(n) of the Dissolution Act and information of the type set forth in this Official Statement under the heading “PLEDGED REVENUES – Schedule of Historical Incremental Revenues.” 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 SEC Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission.

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 Comprehensive Annual Financial Report (i.e., audited financial statements) of the City for the fiscal year ended June 30, 2012, the activities of the Agency will be reported as a fiduciary trust fund as part of the City’s Comprehensive Annual Financial Report, which is in accordance with guidance issued by the State Department of Finance and available on its website as of February 4, 2013, 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 will be reported in the governmental funds of the City in the Comprehensive Annual Financial 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 Calexico Housing Authority after the dissolution date and have been reported in a special fund in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

See “APPENDIX F – COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2013 (EXCERPTS),” and in particular Note 16 therein regarding “Successor Agency Trust for Assets of Former Redevelopment Agency.” A complete copy of the City’s Comprehensive Annual Financial Report for fiscal year ended June 30, 2013 can be obtained from the City’s Finance Department.

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 Comprehensive Annual Financial

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 Calexico Financing Authority, the Prior Agency, the Agency, and the Calexico Housing Authority. 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 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.”

Prior to the printing of this Official Statement, an examination was conducted of the continuing disclosure filings by the City during the past five years. The result of such examination indicated a few instances of filing delays and omissions of certain materials required to be included in the continuing disclosure annual reports.

The financial statements were not filed on a timely basis with respect to the following bond issues:

(1) \$11,075,000 original principal amount of Calexico Financing Authority Revenue Bonds (Water System and Transportation Improvement Projects) Issue of 1998 (the “1998 Revenue Bonds”);

(2) \$10,000,000 original principal amount of Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Tax Allocation Bonds, Issue of 2000;

(3) \$16,120,000 original principal amount of Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 2003A (the “2003A TABS”);

(4) \$3,215,000 original principal amount of Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 2003B (the “2003B TABS”);

(5) \$8,600,000 original principal amount of Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Tax Allocation Bonds, Issue of 2003C (the “2003C TABS”);

(6) \$9,995,000 original principal amount of Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 2006;

(7) \$3,160,000 original principal amount of Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Subordinate Taxable Tax Allocation Notes, Issue of 2007;

(8) \$7,760,000 original principal amount of Community Redevelopment Agency of the City of Calexico, Lease Revenue Refunding Bonds (Water System and Wastewater System Improvement Projects), Issue of 1997 (the “1997 Water/Wastewater Bonds”);

(9) \$14,030,000 original principal amount of Community Redevelopment Agency of the City of Calexico, Water System Lease Revenue Bonds, Issue of 2007 (the “2007 Water Bonds”); and

(10) \$7,120,000 original principal amount of Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Tax Allocation Bonds, Issue of 2011.

In addition, with respect to the 1998 Revenue Bonds, certain annual reports were missing the required updates regarding water connection fees, allocable transportation tax revenues received, allocable transportation tax revenues and installment payment coverage.

With respect to the 2003A TABS, 2003B TABS and 2003C TABS, certain annual reports were missing information regarding the annual debt service and debt service coverage.

With respect to the 1997 Water/Wastewater Bonds, certain annual reports were missing the information regarding the number and type of water system customers, the top ten largest water system consumers, water connections fees, wastewater services fees and connection charges, debt service coverage, secured tax charges and delinquencies, county of Imperial tax charges and delinquencies, and taxable valuation.

With respect to the 2007 Water Bonds, certain annual reports were missing information regarding water customer usage by volume, number of water customer accounts, ten largest customers, projected demand and supply requirements, and reserve fund balance.

As of the date of this Official Statement, the City has cured such past failures identified by the examination. The City believes that its procedures with its Dissemination Agent are sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings in the future.

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

APPENDIX A
SUPPLEMENTAL INFORMATION
THE CITY OF CALEXICO

The following information concerning the City of Calexico is presented as general background data. The Bonds are not a debt of the City, and are payable solely from Pledged Tax Revenues to be derived from the Project Area as described in the Official Statement.

General Information

The City of Calexico (the “City”) is located in Imperial County, California, approximately 120 miles east of the City of San Diego and approximately 60 miles west of Yuma, Arizona. The City lies adjacent to the City of Mexicali, the capital of the State of Baja, Mexico, and its strategic border location makes it a prime link between the interior of Mexico and the major markets along the West Coast of the United States. Economically and given its geographic location immediately adjacent to the international border crossing, the City largely functions as a suburb of the metropolitan complex of Mexicali. Mexicali’s population is approximately 1 million. As of January 1, 2014, the City had an estimated population of 40,564. The City encompasses an area of approximately four square miles with an average elevation at sea level. Its summers are hot and dry, with the winters being mild and generally dry. The average rainfall is 1.75 inches. The City is a general law city incorporated in 1908 with a Council/City Manager form of government consisting of five Council members elected to four-year overlapping terms.

Transportation and Economy

The City is served by California State Highways 98 and 111, with direct connection to Interstate 8 which lies seven miles north of the City. The City’s location adjacent to the United States - Mexican border provides overnight trucking access to regional transportation hubs and the ports of Long Beach, California and Ensenada, Mexico. There are eighteen common carriers for intrastate and interstate truck service to the City. Rail service is provided by Union Pacific Railroad and connects the City with the main line to Portland, Oregon; Rock Island, Illinois; Tucumcari, New Mexico; St. Louis, Missouri; and New Orleans, Louisiana. The City is served by Calexico International Airport which is the U.S. Customs and Border Protection check-point for private passenger and air-cargo flights entering the U.S. from Mexico. General aviation facilities and scheduled passenger and air-cargo service to Los Angeles International Airport, Phoenix Sky Harbor International Airport, and other points are available at Imperial County Airport (Boley Field), located 17 miles north of the City.

Each year, more than 1 million vehicles and pedestrians cross into the United States through the City’s two ports-of-entry. The East Calexico Port-of-Entry provides an improved link to major trucking routes, and has increased the efficiency with which people and goods move between Mexico and the United States. Mexicali is a major business center, with large manufacturing and agricultural industries and a busy rail line into California. The economic growth in Mexicali relies on numerous assembly plants, mainly for products to be exported to the United States, including facilities operated by corporations that presently include: Daewoo,

Mitsubishi, Honeywell, Cardinal Health, Bosch, Price Pfister, Gulfstream, Goodrich, Kenworth and Kwikset.

Population

The following table shows the estimated population growth for the City, the County and the State of California for calendar years 1980, 1990, 2000, and 2005 through 2010.

CITY OF CALEXICO
City, County and State Population Growth
Calendar Years 1980, 1990, 2000, 2005 through 2013⁽¹⁾

Calendar Year	City of Calexico	% Change from Prior Period	Imperial County	% Change from Prior Period	State of California	% Change from Prior Year
1980	14,412	35.64% ⁽²⁾	92,110	23.65% ⁽²⁾	23,782,000	18.68% ⁽²⁾
1990	18,633	29.29	109,303	18.66	29,558,000	24.29
2000	27,109	45.49	142,361	30.24	33,873,086	14.60
2005	36,003	32.81	160,867	13.00	36,676,931	8.28
2006	36,533	1.47	165,821	3.08	37,087,005	1.12
2007	37,151	1.69	171,042	3.15	37,463,609	1.02
2008	38,558	3.79	175,496	2.60	37,871,509	1.09
2009	39,380	2.13	179,428	2.24	38,255,508	1.02
2010	40,075	1.76	183,029	2.00	38,648,090	1.03
2011	38,954	-2.80	175,712	-4.00	37,427,946	-3.16
2012	39,533	1.49	177,441	0.98	37,678,563	0.67
2013						

⁽¹⁾ Except for years 1990 and 2000 where estimates are as of April 1, all estimates are as of January 1.

⁽²⁾ Percent change since 1970.

Source: State of California, Department of Finance estimates.

Agriculture

The City is located in the southeast portion of the Imperial Valley for which the Colorado River is the source of irrigation water. The eighty mile long All-American Canal delivers water to the region which is known for its midwinter vegetables crops (lettuce, cauliflower, broccoli, cabbage, asparagus and carrots) as well as spring production of warm-season vegetables (onions, sweet corn, bell pepper, chili peppers, cantaloupes, and melons). Alfalfa, baled for shipment to dairies throughout California, is the area's major agronomic crop, comprising approximately forty percent of the irrigated acreage in the Imperial Valley. Sugar beets are also a major crop, as well as wheat, and sudangrass for hay which is used for export. Livestock is also an integral part of the agricultural industry in Imperial County, including large-scale feedlot operations for cattle.

The adjacent Mexicali Valley is the agricultural heart of Baja, Mexico, responsible for some of the largest crops in Mexico, including wheat and cotton. With an ensured supply of water from the Colorado River, Mexicali has also become an important exporter of asparagus, broccoli, green onion and radish.

Education

The Calexico Unified School District includes seven elementary schools (Charles Elementary, Dool Elementary, Jefferson Elementary, Kennedy Gardens Elementary, Mains Elementary and Rockwood Elementary), three junior high schools (William Moreno Junior High, Enrique Camarena Junior High and De Anza Junior High), two high schools (Aurora High and Calexico High) and the Robert F. Moreno Adult Education Center.

Advanced education is available at two colleges: Imperial Valley College (a two-year campus) in Imperial, California and the Imperial Valley Campus (the “Campus”) of the San Diego State University (“SDSU”), which is located in the City. Established in 1959 by an act of the State legislature, the Campus is accredited as an integral division of SDSU and offers the last two years of undergraduate education, graduate programs, and fifth year credential programs for teacher preparation. The Campus accepts students who have at least 60 transferable units from community colleges or other accredited institutions.

The City of Mexicali offers many educational opportunities that contribute to the skilled work force in the region, including the Universidad Autónoma de Baja California, Instituto Tecnológico de Mexicali, UNIVER Mexicali, and Universidad del Valle de Mexico Campus Mexicali.

City’s Taxable Valuation

Taxable valuation within the City is established by the Imperial County Assessor (the “County Assessor”), except for utility property, which is assessed by the State Board of Equalization. Article XIII A of the State Constitution provides that, beginning with the 1978-79 fiscal year, property taxes in California are limited to one percent of full cash value, except for taxes to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and debt service on bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by a two-thirds vote of the people. Article XIII A defines full cash value as the County Assessor’s valuation of real property as shown on the 1975-76 tax bill (“base year”) except in the case of newly-constructed property or property which undergoes a change in ownership. Yearly taxable value increases following the base year are limited to the growth in the consumer price index, but may not exceed two percent annually.

For assessment and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

A ten-year summary of the City’s taxable valuation is set forth below. These figures are presented for historical comparison, with reference only to the time frame of the years shown inasmuch as Article XIII A of the State Constitution, discussed previously, will have an effect upon future taxable valuation of the City.

**CITY OF CALEXICO
TAXABLE VALUATION
FOR THE PERIOD 2003-2012**

Fiscal Year Ending June 30	Secured Property Valuation⁽¹⁾	Unsecured Property Valuation	Homeowners Exemption	Net Secured Valuation
2003	\$694,682,029	\$47,340,197	\$20,873,382	\$762,895,608
2004	790,071,025	45,551,014	21,891,467	857,513,506
2005	892,832,477	46,483,442	23,107,967	962,423,886
2006	1,115,402,355	52,014,072	24,781,082	1,192,197,509
2007	1,220,076,346	59,801,312	25,629,812	1,305,507,470
2008	1,455,449,206	61,412,763	26,552,099	1,543,414,068
2009	1,546,160,140	71,120,072	26,678,203	1,643,958,415
2010	1,481,620,454	67,535,957	26,570,510	1,575,726,921
2011	1,435,339,986	59,552,243	25,955,833	1,520,848,062
2012	1,340,653,302	57,840,885	25,401,433	1,423,895,620
2013				

⁽¹⁾ Includes secured utility values
Source: County of Imperial

Tax Rate

A typical tax rate in the City of Calexico is made up as follows:

**CITY OF CALEXICO
TYPICAL TAX RATE
(TRA 002-009)**

	<i>Bill Rate</i>
Basic 1% Levy	1.000000%
Calexico Unified Bonds	0.064700
Imperial Community College District 2004 Bonds	0.026100

Source: Urban Futures, Inc.

Construction Activity

The tables below summarize construction activity in Calexico and Imperial County for both single-family and attached living units and commercial units during the last five calendar years.

**CITY OF CALEXICO
BUILDING PERMIT VALUATION
(VALUATION IN THOUSANDS OF DOLLARS)**

	2011
Permit Valuation	
New Single-Family	1,173.0
New Multi Family (2 Units)	-
New Multi Family (3-4 Units)	-
New Multi Family (5+ Units)	7,700.0
Residential Alterations	777.8
Residential Garages	953.0
Total Residential	\$10,603.8
 Non-Residential Permit Valuation	
Hotels and Motels	-
Non-Housekeeping Shelter	-
Recreational	-
Churches	-
Industrial	-
Parking Garages	-
Service Stations	-
Hospitals	-
Offices	-
Public Works	-
Schools/Education	-
Retail	-
Other Non-Residential Buildings	16.5
Swimming Pools	520.3
Non-Residential Alterations	3,753.0
Total Nonresidential	\$4,289.8
 New Dwelling Units	
Single Family	14
Multiple Family	52
Total	66

Source: Construction Industry Research Board, Building Permit Summary.

**IMPERIAL COUNTY
BUILDING PERMIT VALUATION
(VALUATION IN THOUSANDS OF DOLLARS)**

	<u>2011</u>
Permit Valuation	
New Single-Family	25,488.0
New Multi Family (2 Units)	-
New Multi Family (3-4 Units)	-
New Multi Family (5+ Units)	13,009.6
Residential Alterations	4,854.3
Residential Garages	1,640.8
Total Residential	<u>\$44,992.7</u>
Non-Residential Permit Valuation	
Hotels and Motels	-
Non-Housekeeping Shelter	20.0
Recreational	-
Churches	775.0
Industrial	2,400.0
Parking Garages	-
Service Stations	553.9
Hospitals	2,446.6
Offices	1,922.3
Public Works	4,428.3
Schools/Education	-
Retail	11,255.0
Other Non-Residential Buildings	176.2
Swimming Pools	4,096.8
Non-Residential Alterations	4,854.4
Total Nonresidential	<u>\$32,928.4</u>
New Dwelling Units	
Single Family	143
Multiple Family	128
Total	<u>271</u>

Source: Construction Industry Research Board, Building Permit Summary.

Commerce

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions are presented in the following tables.

**CITY OF CALEXICO
TAXABLE RETAIL STORES
NUMBER OF PERMITS AND VALUATION OF TAXABLE TRANSACTIONS⁽²⁾**

Year	Retail Stores		Total All Outlets	
	Taxable Permits	Value of Transactions	Taxable Permits	Value of Transactions
2005	1,323	\$ 373,094,000	2,217	\$404,590,000
2006	1,425	408,855,000	2,285	445,867,000
2007	1,313	416,141,000	1,987	450,425,000
2008	1,308	368,274,000	1,955	395,621,000
2009 ⁽¹⁾	1,269	301,824,000	1,509	316,895,000
2010	1,255	307,762,000	1,506	323,116,000
2011	1,204	320,653,000	1,444	335,833,000
2012				
2013				

⁽¹⁾ Food Stores are included in the Retail Stores category as of 2009.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax)

**IMPERIAL COUNTY
NUMBER OF PERMITS AND VALUATION OF TAXABLE TRANSACTIONS
(Valuations in Thousands)**

Year	Retail Stores			Total All Outlets		
	No. of Permits	Taxable Transactions	Percent Change	No. of Permits	Taxable Transaction s	Percent Change
2005	2,450	\$ 1,436,545	18.1%	4,343	\$ 2,000,619	18.4%
2006	2,571	1,566,648	9.1	4,421	2,148,730	7.4
2007	2,443	1,554,028	-0.8	4,079	2,253,133	4.9
2008	2,481	1,426,909	-8.2	4,118	2,179,276	-3.3
2009 ⁽¹⁾	2,373	1,216,423	-14.8	3,432	1,773,930	-18.6
2010	2,371	1,317,759	8.3	3,432	1,970,332	11.0
2011	2,339	1,414,803	7.4	3,390	2,181,800	10.7
2012						
2013						

⁽¹⁾ Food Stores are included in the Retail Stores category as of 2009.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax)

Employment and History

The following table summarizes the civilian labor force in Imperial County for the calendar years 2005 through 2009. These figures are countywide statistics and may not accurately reflect employment trends in the City.

IMPERIAL COUNTY Annual Average Industrial Employment ⁽¹⁾ Calendar Years 2008 through 2012

Industry	2009	2010	2011	2012	2013
Private, non-farm					
<i>Goods producing:</i>					
Natural resources, mining and construction	1,500	1,300	1,300	1,400	
Manufacturing – durable goods	600	500	500	500	
Manufacturing – non-durable goods	1,800	1,800	2,200	2,100	
<i>Service Providing:</i>					
Wholesale trade	1,700	1,600	1,700	1,700	
Retail trade	7,000	6,800	6,800	7,100	
Transport., warehousing and utilities	1,800	1,800	1,800	1,800	
Information	400	400	400	400	
Financial activities	1,300	1,300	1,300	1,300	
Professional and business services	2,700	2,400	2,500	2,800	
Educational and health services	3,800	3,800	3,700	3,800	
Leisure and hospitality	3,400	3,400	3,400	3,500	
Other services	900	700	800	800	
Subtotal	26,600	25,800	26,400	27,200	
Government	18,800	19,100	18,700	18,500	
Farm	9,200	8,900	9,500	11,200	
Total	54,600	53,800	54,600	56,900	

⁽¹⁾ Employment reported by place of work; does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add due to rounding. Based on March 2009 benchmark. Not seasonally adjusted.

Source: State of California, Employment Development Department.

Personal Income

Personal income information for Imperial County, the State of California and the United States are summarized in the table below.

MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME (EBI) IMPERIAL COUNTY, CALIFORNIA AND UNITED STATES 2007-2011

Year	Imperial County	State of California	United States
2007	33,236	61,815	52,384
2008	37,438	60,625	51,726
2009	38,594	58,931	50,221

2010	41,802	57,708	50,046
2011	39,402	61,632	50,502
2012			
2013			

Source: U.S. Census Bureau

Industrial Development

The City has become a prime target area for manufacturing and assembly plants. Industrial development is on the move with the near future completion and expansion of several properties. Several sites within the City limits are zoned for light industry, the premier development being the 66-acre Industrial Park.

The Industrial Park [is/was] being developed by the Calexico Community Action Council, Inc. This Park is in a prime industrial location situated two miles north of the Point of Entry along the State Highway 111. Seven miles to the north is Interstate 8 which provides highway access to all major western markets. Airport and rail services are also available.

There are 410 acres in the city limits zoned for light industry; about 40% is vacant and available in parcels ranging in size from 1 to 10 acres. Included in this acreage total is one industrial park. The terrain is 1% slope. Drainage is generally good.

Subsoil is adobe, and piling is not required. Sizes of water mains range from two to 18 inches. Sizes of sewer lines range from six to 36 inches. Description of sites zoned for industry outside the City limits in other tracts or districts: approximately 168 acres are zoned light industry and adjoin the City in the North.

Utilities

Water is supplied by the Calexico Water Department. Southern California Gas Company supplies natural gas, and electric power is provided by Imperial Irrigation District. Telephone service is available through Verizon Communications and trash collection is provided by Newco Company.

Community Service Facilities

The City has two general hospitals (El Centro Regional Medical Center and Pioneer Memorial Healthcare District) and several medical clinics serving its residents.

The City has ten churches, one library, one daily newspaper, one weekly newspaper, two radio stations, one television station, one television cable system, four banks, one savings and loan, seven parks, two playgrounds and one theater. Other recreational facilities include the International Golf Course and Country Club and a multitude of activities in Mexicali, Baja California, and Mexico.

The Calexico Community Center provides entertainment and recreation facilities for the community. A monthly publication “Calexico Today” also serves the City by providing important community information. Police and fire protection is maintained by the City to serve the residents.

Other

Geothermal energy is being produced in the area and solar and wind energy are both potentially important sources for future development. In addition, significant archaeological discoveries have been made in the area and there is continuing archaeological fieldwork. Recreational areas include the Glamis Dunes, the Salton Sea, which is the State’s largest inland lake, the Laguna Mountains and the Colorado River.

APPENDIX B
DEFINITIONS

The following are definitions of certain terms contained in the Indenture and used in this Official Statement.

APPENDIX C
FORM OF BOND COUNSEL OPINION

APPENDIX D BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C 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.

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
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR
FISCAL YEAR ENDED JUNE 30, 2013 (EXCERPTS)

APPENDIX G
FINANCIAL ADVISOR'S REPORT

APPENDIX H
DOF DETERMINATION LETTER APPROVING 2014 BONDS