AGENDA ITEM

5

AGENDA STAFF REPORT

DATE: September 16, 2014

TO: Mayor and City Council

APPROVED BY: Richard N. Warne, Interim City Manager

PREPARED BY: Gabriela T. Garcia, Deputy City Clerk

SUBJECT: Appointment of a General Commissioner by City Council to the Calexico Housing Authority Board

==========

Recommendation:

Staff recommends City Council make an appointment of a General Commissioner to the Calexico Housing Authority Board.

Background:

On August 5, 2014, Ms. Shannon Roberts, Housing Authority Commissioner provided an activities report the Calexico Housing Authority for Fiscal Year ending June 30, 2014 and submitted her resignation from the Board to the City Council opening up a vacancy for a General Commissioner.

Discussion & Analysis:

At the request of the Calexico Housing Authority, the position for one General Commissioner was advertised in the Calexico Chronicle and the Imperial Valley Press. City Council as a whole needs to fill this position.

The following applications and letters of Interest for said position were received from the following interested persons:

1. Ricarda Gomez
2. Richard Romero

Fiscal Impact:

None.

Coordinated With:

Calexico Housing Authority Staff

Attachment:

Applications and Letters of Interest.

AGENDA ITEM 5

CITY OF CALEXICO
RECEIVED
SEP - 8 2014
CITY CLERK'S DESK

CITY OF CALEXICO
APPLICATION FOR CITY COMMISSION
And
STATEMENT OF QUALIFICATIONS

ALL APPLICANTS MUST EITHER RESIDE, BE EMPLOYED, OR REGISTERED TO VOTE IN THE CITY OF CALEXICO. PROOF IS REQUIRED WHEN SUBMITTING THIS APPLICATION.

APPLICATION IS FOR THE FOLLOWING COMMISSION: Housing Commission
(A separate application is required for each commission)

PERSONAL INFORMATION:

Name Ricarda Gomez

Residence Address 1051 Aldrich Ave. #2

Length of time at this Address: 7 E-mail address: NO

Home Phone No. NO Cell/Message Phone No. 760) 996-8913

Are you 18 years of age or older? 43 Are you registered to vote in the City of Calexico? Yes

Do you currently serve as an elected or appointed official for any board and/or agency within the City of Calexico? ____
If yes, name of agency and position: NO

EDUCATION: Highest level of education completed: 12 grade

Name of Institution where Highest Level of Education was completed: Calexico High School

Location of Institution: Encinas and 98

EMPLOYMENT INFORMATION / EXPERIENCE:

Name and Address of Employer (s)	Position Title	Dates of Employment
Bud of California		1991

IMPORTANT: Read the following carefully and answer completely. A conviction is not an automatic bar to appointment. Each case is considered on its individual merits.

HAVE YOU EVER BEEN CONVICTED OF A FELONY OR MISDEMEANOR OTHER THAN A MINOR TRAFFIC VIOLATION? NO
If yes, Please list all offenses, date and place of offenses(s), and the sentence/fine received:

ACKNOWLEDMENT/CERTIFICATION:
I understand that upon filing, this application becomes a public record. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature and Date

Do Not Write Below this Line – For City Use Only

Applicant furnished proof of eligibility requirements via:
Proof of residency: [✓] Yes [ ] No
Proof of employment: [ ] Yes [ ] No
Voter Registration Verification: [ ] Yes [ ] No

Appointment By: ____
Term Expires: ____
Date & Clerk Verifying: ____

CITY OF CALEXICO
APPLICATION FOR CITY COMMISSION
And
STATEMENT OF QUALIFICATIONS

ALL APPLICANTS MUST EITHER RESIDE, BE EMPLOYED, OR REGISTERED TO VOTE IN THE CITY OF CALEXICO . PROOF IS REQUIRED WHEN SUBMITTING THIS APPLICATION.

APPLICATION IS FOR THE FOLLOWING COMMISSION:
(A separate application is required for each commission)

Housing Authority of the City of Calexico

PERSONAL INFORMATION:

Name RICHARD L ROMERO

Residence Address 806 WARD COURT, CALEXICO, CA 92231

Length of time at this Address: 29 E-mail address: RRomero@ci.el-centro.ca.us

Home Phone No. (760) Cell/Message Phone No. (760) 562-1480

Are you 18 years of age or older? YES Are you registered to vote in the City of Calexico? YES

Do you currently serve as an elected or appointed official for any board and/or agency within the City of Calexico? ____
If yes, name of agency and position: CUSD PERSONNEL COMMISSION

EDUCATION: Highest level of education completed: College

Name of Institution where Highest Level of Education was completed: University of San Diego

Location of Institution: _____

EMPLOYMENT INFORMATION / EXPERIENCE:

Name and Address of Employer (s)	Position Title	Dates of Employment
City of El Centro	Finance Manager	Hired 12/02/1985

IMPORTANT: Read the following carefully and answer completely. A conviction is not an automatic bar to appointment. Each case is considered on its individual merits.

HAVE YOU EVER BEEN CONVICTED OF A FELONY OR MISDEMEANOR OTHER THAN A MINOR TRAFFIC VIOLATION? _____
If yes, Please list all offenses, date and place of offenses(s), and the sentence/fine received:

NO

ACKNOWLEDMENT/CERTIFICATION:
I understand that upon filing, this application becomes a public record. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

9/10/18
Signature and Date

Do Not Write Below this Line – For City Use Only

Applicant furnished proof of eligibility requirements via:
Proof of residency: [ ] Yes [ ] No
Proof of employment: [ ] Yes [ ] No
Voter Registration Verification: [ ] Yes [ ] No

Appointment By: _____
Term Expires: _____
Date & Clerk Verifying: _____

Richard Romero
806 Ward Court
Calexico, CA 92231
(760) 562-1480

September 9, 2014

Honorable Mayor John Moreno
City of Calexico
608 Heber Avenue
Calexico, CA 92231

Honorable Mayor and City Council Members:

My name is Richard L. Romero and I have been employed as the Finance Manager for the City of El Centro during the last 29 years. My experience in the Finance field had allowed me to contribute in the excellent operation of the Housing Authority of the City of Calexico and its continued success in assisting our community during my previous term which started in 2006 and finished in 2013. During that time we succeeded in moving the agency forward in spite of many obstacles.

The HACC has moved in the right direction and I would like to be considered to be appointed to the City of Calexico Housing Authority Commission. I would greatly appreciate the opportunity to work with this agency in its effort to improve and serve our community.

Should you have any questions, please don't hesitate to contact me at (760) 562-1480.

Respectfully,

Richard L Romero

AGENDA ITEM

6

AGENDA STAFF REPORT

DATE: September 16, 2014

TO: Mayor and City Council

APPROVED BY: Richard N. Warne, Interim City Manager RNW

PREPARED BY: Richard N. Warne, Interim City Manager RNW

SUBJECT: Discussion and Potential Action Regarding Ronald McDonald House Charities of San Diego request for Waiver of Temporary Use Permit filing fee.

==========

Recommendation:

Discuss and take action regarding Ronald McDonald House Charities of San Diego request for waiver of Temporary Use Permit filing fee.

Background:

Ronald McDonald House Charities of San Diego is a 501(c) (03) tax-exempt nonprofit that assists families by providing them with temporary lodging in a home-like environment while their children are hospitalized nearby. They report that approximately 25% of the families they assist are from Imperial County.

On October 8, 2014 Ronald McDonald House Charities of San Diego will hold their annual Red Shoe Day-Imperial Valley. 15 locations have been selected throughout Imperial County where volunteers will be stationed from 7 a.m. to 10 a.m. collecting donations in a big red boot. All monies will go to help support the Ronald McDonald House Charities of San Diego.

Discussion & Analysis:

The City requires a temporary use permit in order to allow this type of event. The filing fee for the permit application is $135. City of Calexico Resolution 10-17, adopted March 2, 2010, vests exclusive authority with the City Council to reduce or wave fees and charges owed to the city. The Council is requested to consider waiving the Temporary Use Permit filing fee for Ronald McDonald House Charities of San Diego.

If this waiver request is approved, it may lead to additional requests for waiver of permit application fees by other non-profit groups in the future.

AGENDA ITEM 6

Fiscal Impact:

If the temporary use permit application fee is imposed, the City would receive revenue of $135. If the fee is waived, it would result in a $135 loss of revenue.

Attachments:

Exhibit A:	Letter from Ronald McDonald House Charities of San Diego requesting waiver of fee.
Exhibit B:	Ronald McDonald House Charities of San Diego, Red Shoe Day – Imperial Valley - statistics and sponsorship information
Exhibit C:	Temporary Use Permit Application complete with 3 maps
Exhibit D:	Red Shoe Day strategic plan
Exhibit E:	Proof of liability insurance
Exhibit F:	Internal Revenue Service letter regarding tax exempt status
Exhibit G:	State of California Franchise Tax Board confirmation of exemption status

Exhibit A

Ronald McDonald House Charities®
SAN DIEGO
2929 Children's Way, San Diego, CA 92123
858.467.4750 Phone 858.467.4757 Fax
rmhcsd@rmhcsd.org

September 4, 2014

Mr. Oscar Rodriguez
City Manager
City of Calexico
608 Heber Avenue
Calexico, CA 92231

Dear Mr. Rodriguez:

On behalf of RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO I respectfully request a waiver of the $135.00 application filing fee for a Temporary Use Permit required for our upcoming RED SHOE DAY in Imperial County on October 8, 2014.

As you may already know our charity provides a home away from home for families with children admitted to area hospitals. Volunteers from your area will be helping in the effort by collecting cash, currency and checks in BIG RED SHOES. All monies will be used to support this very worthy cause.

Your assistance is greatly appreciated.

Respectfully,

Gail M Sullivan

Gail M. Sullivan, CPA
Chief Financial Officer

Printed on recycled paper

Exhibit B

R O N A L D M C D O N A L D H O U S E
Charities of San Diego

RED SHOE DAY

Imperial Valley

October 8, 2014

2929 Children's Way, San Diego CA 92123 • telephone: 858.598.2401 • fax: 858.598.2450 • asonza@rmhcsd.org

R O N A L D M C D O N A L D H O U S E
Charities of San Diego

Ronald McDonald House Charities® of San Diego is pleased to announce our 4th Annual **Red Shoe Day—Imperial Valley** on Wednesday, October 8, 2014. This event is a uniquely visible way to support all Imperial Valley families that stay at the Ronald McDonald House®. **25%** of our families are from the Imperial Valley, and your support will demonstrate to your neighbors that you stand by them during their time of need.

From 7:00 a.m. to 10:00 a.m., we will position 200 volunteers at key intersections across the Imperial Valley, where donations will be collected in our signature Size 14 Ronald McDonald Red Shoes. **$45,000** was raised in 2013 and with your support we strongly believe that we can exceed this amount in 2014!

As a **Red Shoe Day—Imperial Valley** sponsor, you will further our mission by providing housing and day-to-day necessities to families with children being treated for serious, often life-threatening conditions at local hospitals. With 47 guest rooms, and a Family Care Center that is open to both resident guests and day visitors, nearly 15,000 family members are served at the House each year. Last year alone, the San Diego Ronald McDonald House provided care to 430 family members from the Imperial Valley who received a total of 6,355 nights of lodging.

With your help, we can continue to provide Imperial Valley families with a "home away from home."

Our Sponsorship Benefits package is included for your review, as well as a response form for you to fill out and return. We will follow up with you very soon to discuss this opportunity. Until then, please direct any questions to either **Allegra Sonza** at **858-598-2401** ASonza@rmhcsd.org, **Jan Hester** at **760-554-0534** janicej6hester@aol.com, or **Jo Ann Weissman** at **760-353-5158** jojo92433@att.net.

Thank you for your time and consideration.

Sincerely,

Jan Hester	**Allegra Sonza**	**Jo Ann Weissman**
Red Shoe Day Campaign Chair	Ronald McDonald House Charities of San Diego Family Care Coordinator	Red Shoe Day Campaign Co-Chair

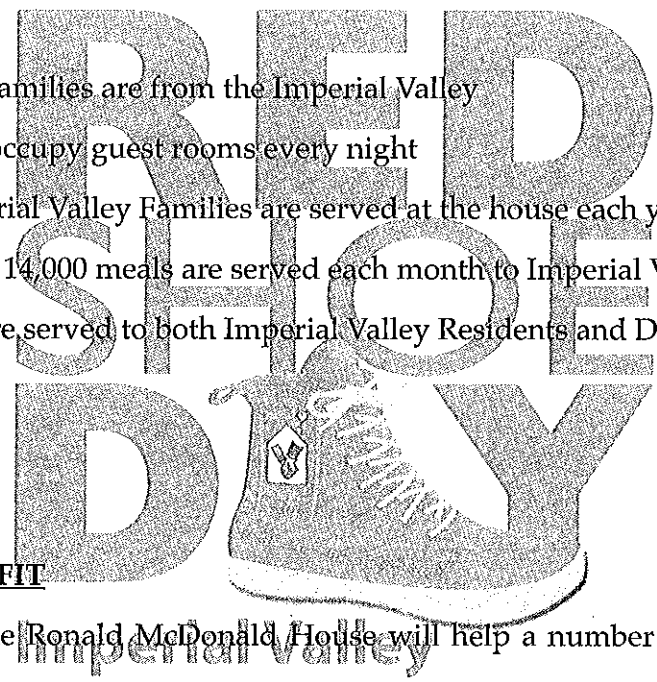
2929 Children's Way, San Diego CA 92123 • telephone: 858.598.2401 • fax: 858.598.2450 • asonza@rmhcsd.org

ABOUT

As our signature fundraiser for Imperial Valley Families who have children undergoing treatment at local hospitals, your sponsorship support will further propel our mission of providing housing and day-to-day necessities to your neighbors who need your support.

FACTS

- 25% of our families are from the Imperial Valley
- 47 families occupy guest rooms every night
- 15,000 Imperial Valley Families are served at the house each year
- On average, 14,000 meals are served each month to Imperial Valley Families
- 452 Meals are served to both Imperial Valley Residents and Day users per day



GREATEST BENEFIT

Your **support** to the Ronald McDonald House will help a number of critically ill children from the Imperial Valley and will give their families a feeling of security and comfort knowing that they will be cared for at a "home away from home."

2929 Children's Way, San Diego CA 92123 • telephone: 858.598.2401 • fax: 858.598.2450 • asonza@rmhcsd.org

$2,500 Title Sponsor

- Prominent Logo recognition as title sponsor on all event materials, t-shirts, signage, print and live media, and the Ronald McDonald House Charities of San Diego's website
- Two tickets to the Ronald McDonald House Charities Golf Tournament (On 10/20/2014)
- A tag line at the end of our Ronald McDonald House Media Spot in the Imperial Valley's Local Radio Network
- Either a Dinner or a Lunch for 6 people at the Ronald McDonald House Charities of San Diego
- 12 Red Shoe Day t-shirts
- Acknowledgement and recognition in both our biannual *From the Heart Magazine* along with our post-event Thank You ad in the Imperial Valley Press

$1,000 Partner Sponsor

- Name and logo recognition as ....(new name) Sponsor on all event materials, t-shirts, signage, press releases, and Ronald McDonald House Charities of San Diego's website
- Membership in Our Breakfast Circle. Benefits include an invitation to be honored at the House's Annual Giving Celebration for providing meals to the families of the Ronald McDonald House.
- Either Dinner or a lunch for four people at the Ronald McDonald House Charities of San Diego
- Eight Red Shoe Day t-Shirts
- Acknowledgement and recognition in both our biannual From the Heart Magazine along with our post-event Thank you ad in the Imperial Valley Press

$500 Supporting Sponsor

RED SHOE DAY
Imperial Valley

- Name and logo recognition as a new sponsor on all event materials, t-shirts and Ronald McDonald House Charities of San Diego Website
- Two Tickets to the San Diego Zoo
- Six Red Shoe Day t-Shirts
- Acknowledgement and Recognition in our post-event Thank You ad in the Imperial Valley Press
- Acknowledgement and Recognition in our biannual *From the Heart Magazine*

<u>$250 Shoe Sponsor</u>

- Recognition in our biannual From the Heart Magazine
- Two Red Shoe Day t-shirts
- Acknowledgement and Recognition in our post-event Thank You ad in the Imperial Valley Press

RED SHOE DAY
Imperial Valley

2929 Children's Way, San Diego CA 92123 • telephone: 858.598.2401 • fax: 858.598.2450 • asonza@rmhcsd.org

R O N A L D M C D O N A L D H O U S E
Charities of San Diego

Sponsorship Pledge Form

Please provide the following information:

Contact: _____

Organization: _____

E-mail: _____

Address: _____

City, State ZIP: _____

Phone: _____

Sponsor Pledge Amount: (please select one)

- ☐ **$2,500** Title Sponsor
- ☐ **$1,000** Partner Sponsor
- ☐ **$500** Supporting Sponsor
- ☐ **$250** Shoe Sponsor

Payment Information:

Enclosed is a **check** for $ _____ made out to **RMHC-SD**

Please send an **invoice** for $ _____ (Payment Due by 9/3/2014)

Please **charge** $_____

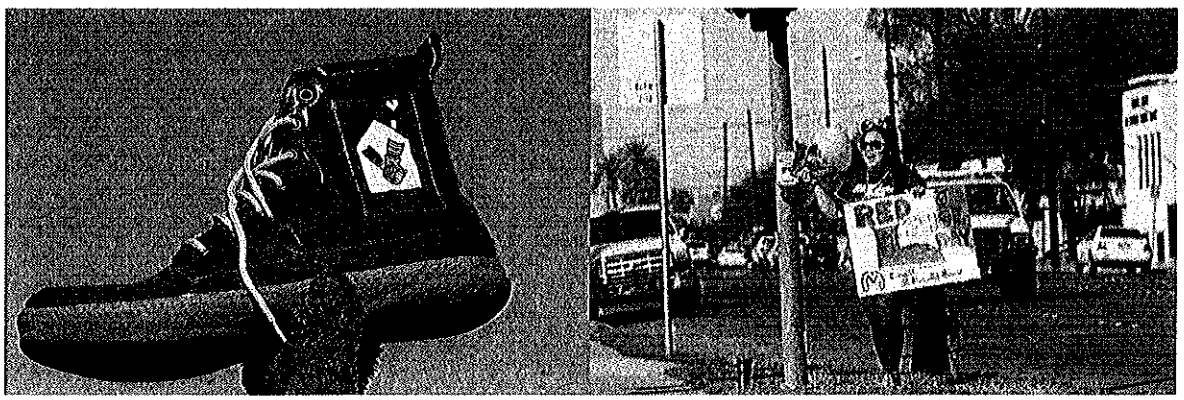
- ☐ American Express
- ☐ Discover
- ☐ Visa
- ☐ MasterCard

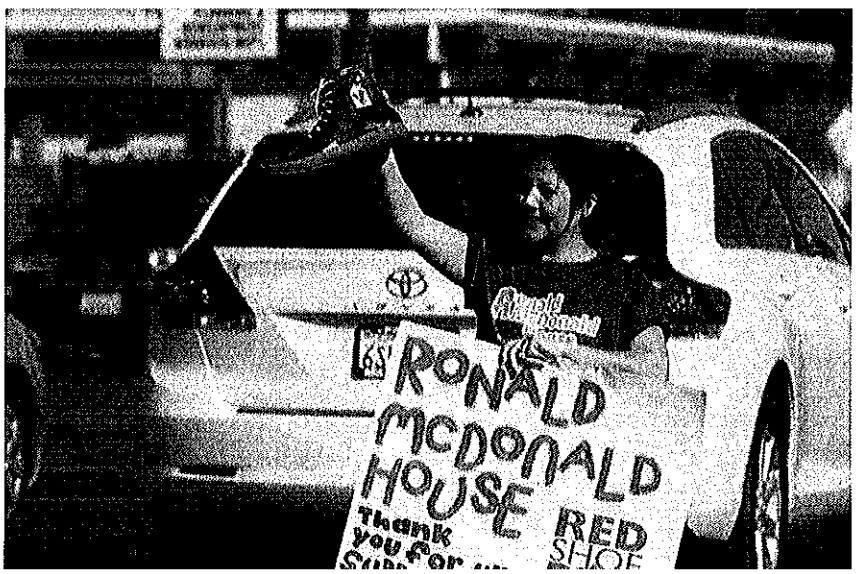
Card Number: _____

Expiration Date: _____

2929 Children's Way, San Diego CA 92123 • telephone: 858.598.2401 • fax: 858.598.2450 • asonza@rmhcsd.org

Thank you for your kind consideration and support!





Please complete the attached Sponsorship Pledge form and return by Wednesday, 09/ 03/14
Ronald McDonald House Charities® of San Diego
2929 Children's Way • San Diego • California • 92123
858.598.2401 • fax: 858.598-2450 • asonza@rmhcsd.org

Exhibit C

Development Services Department
Planning Division
"Temporary Use Permit"

Request must be submitted a MINIMUM of 15 days in advance of the event date.

REQUIRED ATTACHMENTS:
1. Submit one (1) site plan depicting use (minimum size 8½" x 11").
2. Written proof of approval from property owner.
3. Copy of the City of Calexico Business License, if applicable.
4. Non-refundable application filing fee of $135.00.
5. Insurance coverage naming the City as additional insured ($1,000,000 minimum per occurrence).

Applicant Name: Allegra Sonza
Date Submitted: 9-2-14
Applicant Address: 2929 Children's Way, San Diego, CA 92123
Phone Number: 858-467-4780
Company Name: Ronald McDonald House Charities of San Diego, Inc.
Alt. Phone Number: 760-960-1375
Location of Event: see attached
Bus. Lic. Number:

Date of Event: 10-8-14 to 10-8-14 Total Days: 1
Time of Event: 7 AM to 10 AM
Describe in detail the type of event (attach additional sheets if needed): We have asked volunteers to be in locations around Calexico to collect cash, currency & checks in big red shoes. All monies will go to help support the Ronald McDonald House Charities of San Diego, Inc. to provide a home away from home for families with children in area hospitals.

Gail M Sullivan 9/4/2014
Applicant Signature Date

(For City Use Only)

City Department	Recommendation by Dept. Head		Signature:
Administration	☐ Approved	☐ Denied	
Fire	☐ Approved	☐ Denied	
Police	☐ Approved	☐ Denied	
Utilities Services	☐ Approved	☐ Denied	
Community Services	☐ Approved	☐ Denied	
Redevelopment Agency	☐ Approved	☐ Denied	
Risk Management	☐ Approved	☐ Denied	
Planning Division	☐ Approved	☐ Denied	
Engineering Division	☐ Approved	☐ Denied	
General Services	☐ Approved	☐ Denied	
Other:	☐ Approved	☐ Denied	

Conditions of Approval:

ALL TEMPORARY USE PERMIT MUST COMPLY WITH ZONING ORDINANCE, SECTION 17.11.120 "TEMPORARY USE REGULATIONS".

☐ Approved ☐ Denied By:

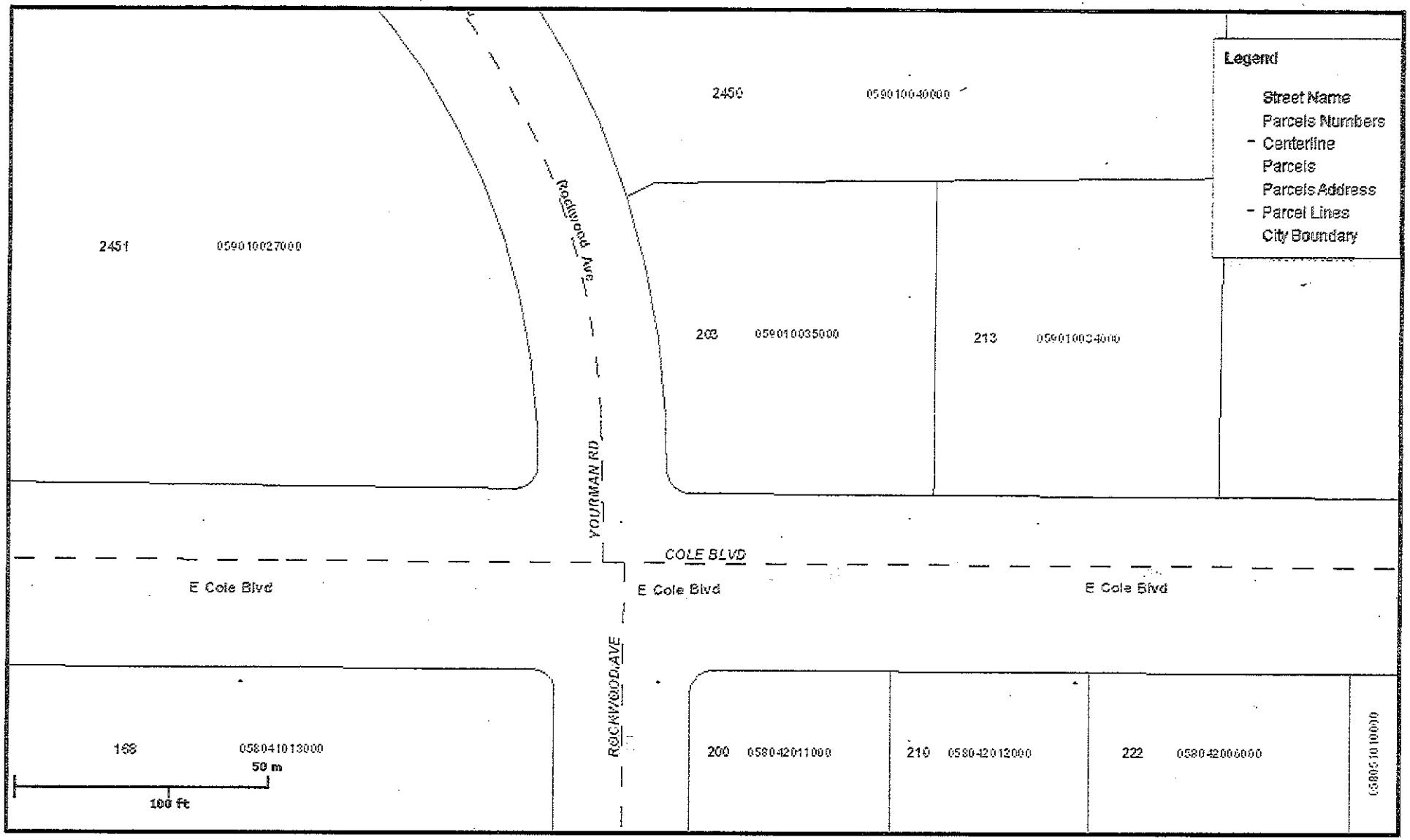
Director of Planning & Development Services Date

(Please read reverse side, Section 17.11.120 "Temporary Use Regulations")

Revised 10/2008

Calexico:
Cole/Rockwood
Kloke Rd/Birch St.
Encinas/Birch

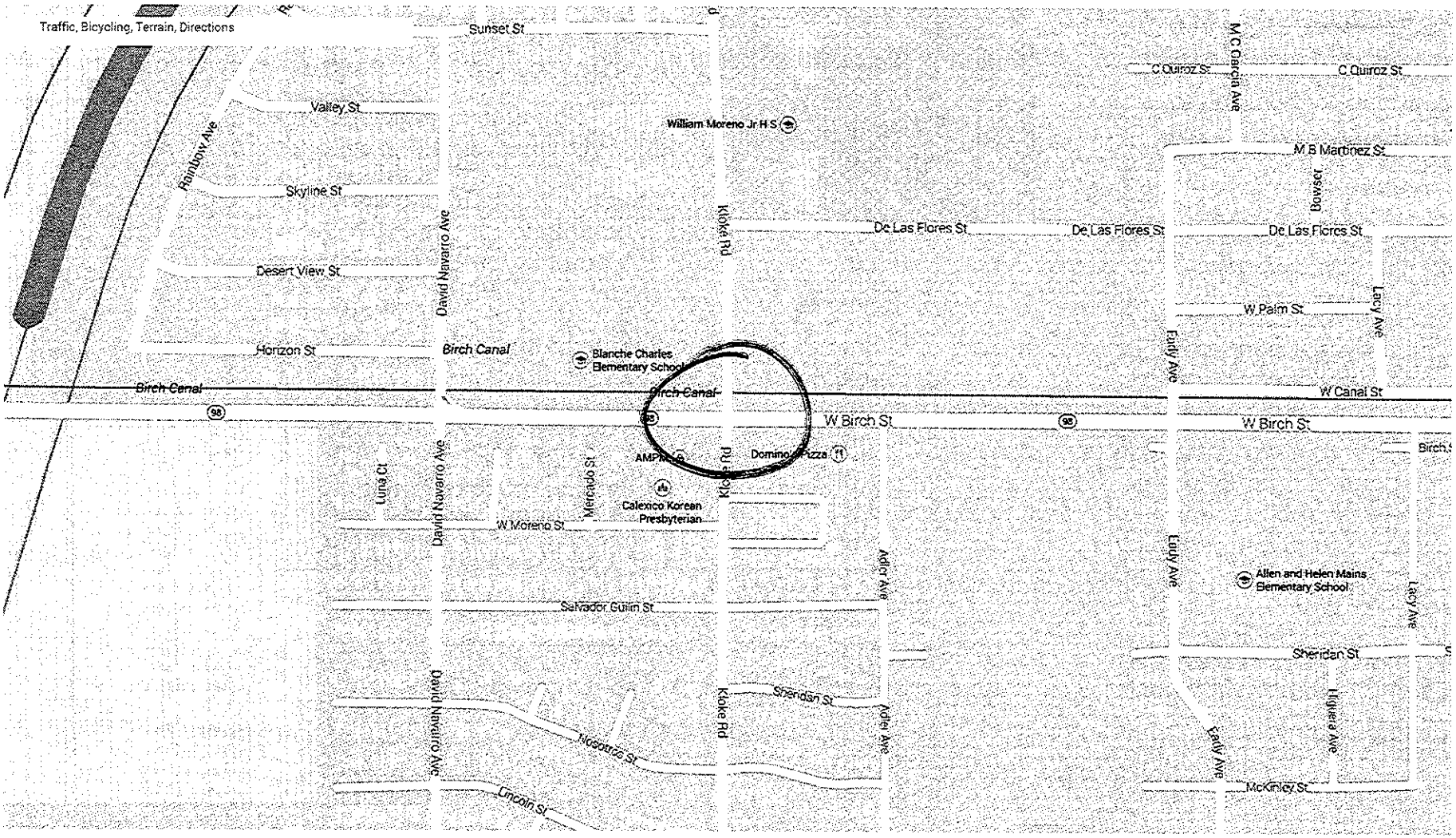
Default Title



1" = 94 ft	Sub Title	07/09/2013	N W E S	IMPERIAL COUNTY CALIFORNIA

This map represents a visual display of related geographic information. Data provided hereon is not a guarantee of actual field conditions. To be sure of complete accuracy, please contact Imperial County staff for the most up-to-date information.

W. Birch St & Kloke Rd



Map data ©2014 Google 200 ft

Birch St & Encinas Ave

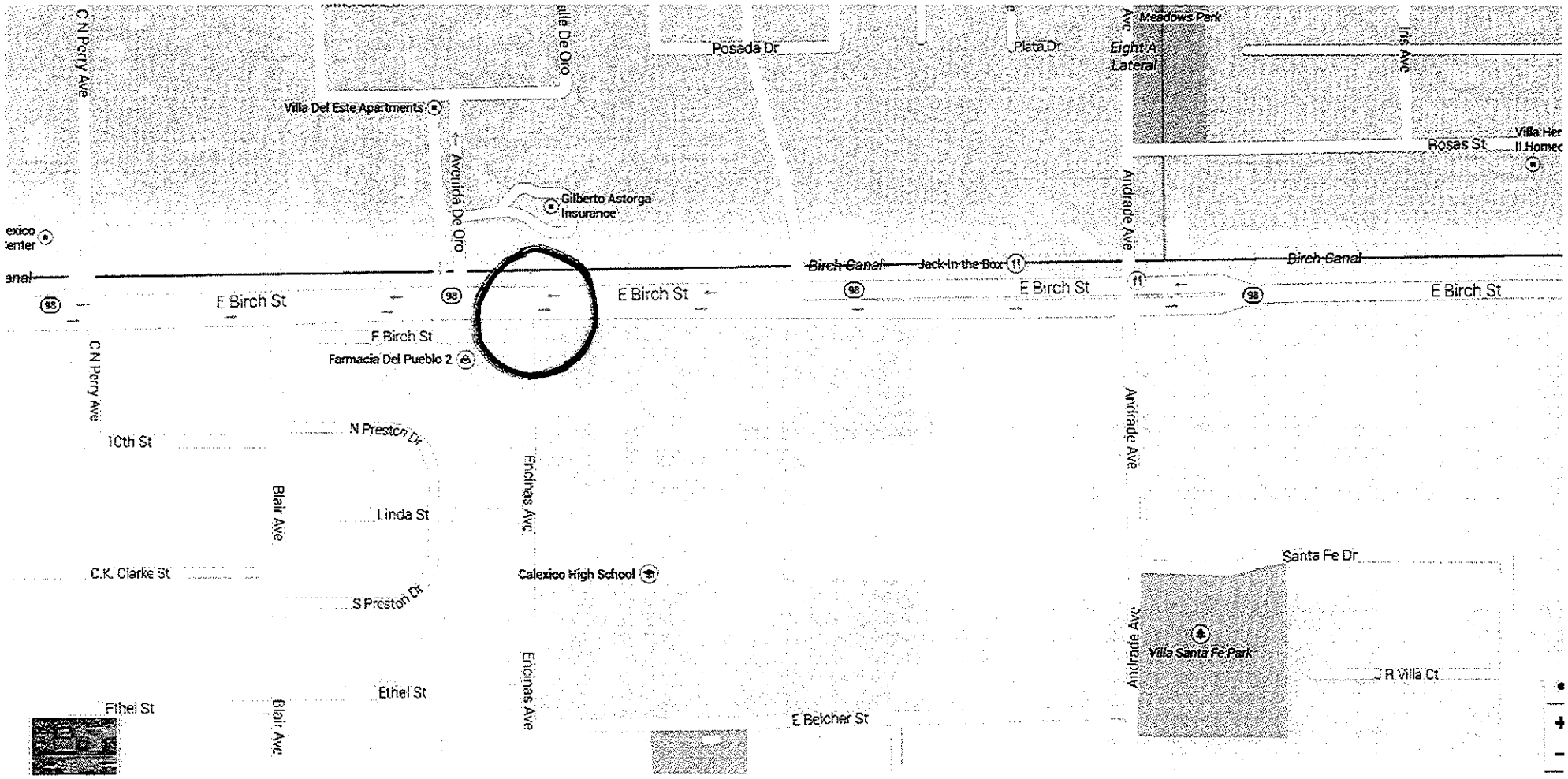


Exhibit D

Ronald McDonald House Charities of San Diego, Inc. - Red Shoe Day

Narrative:

We have asked 200 volunteers to be located in 15 locations throughout Imperial County to collect cash, coins, currency, check in a big Red Boot. All monies will go to help support the Ronald McDonald House Charities of San Diego, Inc. RMHCSD. The volunteers will arrive at the intersection at 7:00 AM and depart at 10:00 AM. The money will be brought to El Centro Regional Medical Center, where a volunteer collector will be responsible for bringing the money back to Wells Fargo Bank (El Centro branch).

Security Plan:

We will train our volunteers. Each volunteer is attending a mandatory orientation where safety training will occur. Each volunteer will be wearing a brightly colored t-shirt. Volunteers will be in groups of 10 to 20.

Accessibility Plan:

Volunteers will not interfere with street traffic. Volunteers will stand on sidewalks and collect money from the sidewalks. All volunteer vehicles will be parked in appropriate areas abiding by all traffic regulations.

Sanitation and Recycling:

Volunteers will arrive with a nylon bag. Inside the nylon bag will be a Big Red Shoe (one per volunteer) and two heavy duty plastic bags to hold the cash, coins, currency and checks received. When the volunteers leave the intersection, they will take all of these items with them.

Marketing and Public Relations:

A variety of media will be involved supporting this event.

Exhibit E

Client#: 20930 RONAMCDO1

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 8/26/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Barney & Barney
CA License #0H18131
P.O. Box 85638
San Diego, CA 92122

CONTACT NAME: Anita Romero
PHONE (A/C, No, Ext): 858 457-3414 FAX (A/C, No): (858) 452-7530
E-MAIL ADDRESS: Anita.Romero@barneyandbarney.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Philadelphia Indemnity Insuranc	18058
INSURER B : CompWest Insurance Company	12177
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
Ronald McDonald House Charities
of San Diego, Inc.
2929 Children's Way
San Diego, CA 92123

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY	X		PHPK1222573	08/25/2014	08/25/2015	EACH OCCURRENCE	$1,000,000
	X COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence)	$100,000
	CLAIMS-MADE X OCCUR						MED EXP (Any one person)	$5,000
							PERSONAL & ADV INJURY	$1,000,000
							GENERAL AGGREGATE	$3,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						PRODUCTS - COMP/OP AGG	$3,000,000
	X POLICY PRO-JECT LOC							$
A	AUTOMOBILE LIABILITY	X		PHPK1222573	08/25/2014	08/25/2015	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
	X ANY AUTO						BODILY INJURY (Per person)	$
	ALL OWNED AUTOS / X SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	X HIRED AUTOS / X NON-OWNED AUTOS						PROPERTY DAMAGE (Per accident)	$
								$
A	X UMBRELLA LIAB / X OCCUR	X		PHUB471969	08/25/2014	08/25/2015	EACH OCCURRENCE	$4,000,000
	EXCESS LIAB / CLAIMS-MADE						AGGREGATE	$4,000,000
	DED / X RETENTION $						PROD COMP OP	$4,000,000
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY			CA005006090003	08/25/2014	08/25/2015	X WC STATU-TORY LIMITS / OTH-ER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y/N N (Mandatory In NH)	N/A					E.L. EACH ACCIDENT	$1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$1,000,000
							E.L. DISEASE - POLICY LIMIT	$1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
RE: Red Shoe Day

CERTIFICATE HOLDER

City of Calexico
Calexico City Hall 608 Heber
Avenue
Calexico, CA 92231

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Anita Romero

© 1988-2010 ACORD CORPORATION. All rights reserved.

INSURED: Ronald McDonald House Charities

POLICY #: PHPK1222573 POLICY PERIOD: 08/25/2014 TO 08/25/2015

PI-GLD-HS (10/11)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

GENERAL LIABILITY DELUXE ENDORSEMENT: HUMAN SERVICES

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE

It is understood and agreed that the following extensions only apply in the event that no other specific coverage for the indicated loss exposure is provided under this policy. If such specific coverage applies, the terms, conditions and limits of that coverage are the sole and exclusive coverage applicable under this policy, unless otherwise noted on this endorsement. The following is a summary of the Limits of Insurance and additional coverages provided by this endorsement. For complete details on specific coverages, consult the policy contract wording.

Coverage Applicable	Limit of Insurance	Page #
Extended Property Damage	Included	2
Limited Rental Lease Agreement Contractual Liability	$50,000 limit	2
Non-Owned Watercraft	Less than 56 feet	2
Damage to Property You Own, Rent, or Occupy	$30,000 limit	2
Damage to Premises Rented to You	$1,000,000	3
HIPAA	Clarification	4
Medical Payments	$20,000	5
Medical Payments – Extended Reporting Period	3 years	5
Athletic Activities	Amended	5
Supplementary Payments – Bail Bonds	$5,000	5
Supplementary Payment – Loss of Earnings	$1,000 per day	5
Employee Indemnification Defense Coverage	$25,000	5
Key and Lock Replacement – Janitorial Services Client Coverage	$10,000 limit	6
Additional Insured – Newly Acquired Time Period	Amended	6
Additional Insured – Medical Directors and Administrators	Included	7
Additional Insured – Managers and Supervisors (with Fellow Employee Coverage)	Included	7
Additional Insured – Broadened Named Insured	Included	7
Additional Insured – Funding Source	Included	7
Additional Insured – Home Care Providers	Included	7
Additional Insured – Managers, Landlords, or Lessors of Premises	Included	7
Additional Insured – Lessor of Leased Equipment	Included	7
Additional Insured – Grantor of Permits	Included	8
Additional Insured – Vendor	Included	8
Additional Insured – Franchisor	Included	9
Additional Insured – When Required by Contract	Included	9
Additional Insured – Owners, Lessees, or Contractors	Included	9
Additional Insured – State or Political Subdivisions	Included	10

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Duties In the Event of Occurrence, Claim or Suit	Included	10
Unintentional Failure to Disclose Hazards	Included	10
Transfer of Rights of Recovery Against Others To Us	Clarification	10
Liberalization	Included	11
Bodily Injury – Includes Mental Anguish	Included	11
Personal and Advertising Injury – Includes Abuse of Process, Discrimination	Included	11

A. Extended Property Damage

SECTION I – COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY, Subsection **2. Exclusions**, Paragraph **a.** Is deleted in its entirety and replaced by the following:

a. Expected or Intended Injury

"Bodily Injury" or property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect persons or property.

B. Limited Rental Lease Agreement Contractual Liability

SECTION I – COVERAGES, COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY, Subsection **2. Exclusions**, Paragraph **b. Contractual Liability** is amended to include the following:

(3) Based on the named insured's request at the time of claim, we agree to indemnify the named insured for their liability assumed in a contract or agreement regarding the rental or lease of a premises on behalf of their client, up to $50,000. This coverage extension only applies to rental lease agreements. This coverage is excess over any renter's liability insurance of the client.

C. Non-Owned Watercraft

SECTION I – COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY, Subsection **2. Exclusions,** Paragraph **g. (2)** is deleted in its entirety and replaced by the following:

(2) A watercraft you do not own that is:

(a) Less than 58 feet long; and

(b) Not being used to carry persons or property for a charge;

This provision applies to any person, who with your consent, either uses or is responsible for the use of a watercraft. This insurance is excess over any other valid and collectible insurance available to the insured whether primary, excess or contingent.

D. Damage to Property You Own, Rent or Occupy

SECTION I – COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE

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LIABILITY, Subsection **2. Exclusions**, Paragraph **j. Damage to Property**, Item **(1)** is deleted in its entirety and replaced with the following:

(1) Property you own, rent, or occupy, including any costs or expenses incurred by you, or any other person, organization or entity, for repair, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another's property, unless the damage to property is caused by your client, up to a $30,000 limit. A client is defined as a person under your direct care and supervision.

E. Damage to Premises Rented to You

1. If damage by fire to premises rented to you is not otherwise excluded from this Coverage Part, the word "fire" is changed to "fire, lightning, explosion, smoke, or leakage from automatic fire protective systems" where it appears in:

a. The last paragraph of **SECTION I – COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY**, Subsection **2. Exclusions**; is deleted in its entirety and replaced by the following:

Exclusions **c.** through **n.** do not apply to damage by fire, lightning, explosion, smoke, or leakage from automatic fire protective systems to premises while rented to you or temporarily occupied by you with permission of the owner. A separate limit of insurance applies to this coverage as described in **SECTION III – LIMITS OF INSURANCE**.

b. **SECTION III – LIMITS OF INSURANCE**, Paragraph 6. is deleted in its entirety and replaced by the following:

Subject to Paragraph 5. above, the Damage To Premises Rented To You Limit is the most we will pay under Coverage A for damages because of "property damage" to any one premises, while rented to you, or in the case of damage by fire, lightning, explosion, smoke, or leakage from automatic fire protective systems while rented to you or temporarily occupied by you with permission of the owner.

c. **SECTION V – DEFINITIONS**, Paragraph 9.a., is deleted in its entirety and replaced by the following:

A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage by fire, lightning, explosion, smoke, or leakage from automatic fire protective systems to premises while rented to you or temporarily occupied by you with permission of the owner is not an "insured contract";

2. **SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS**, Subsection **4. Other Insurance**, Paragraph **b. Excess Insurance**, **(1) (a) (ii)** is deleted in its entirety and replaced by the following:

That is insurance for fire, lightning, explosion, smoke, or leakage from automatic fire protective systems for premises rented to you or temporarily occupied by you with permission of the owner;

3. The Damage To Premises Rented To You Limit section of the Declarations is amended to the greater of:

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a. $1,000,000; or

b. The amount shown in the Declarations as the Damage to Premises Rented to You Limit.

This is the most we will pay for all damage proximately caused by the same event, whether such damage results from fire, lightning, explosion, smoke, or leaks from automatic fire protective systems or any combination thereof.

F. HIPAA

SECTION I – COVERAGES, COVERAGE B PERSONAL AND ADVERTISING INJURY LIABILITY, is amended as follows:

1. Paragraph **1. Insuring Agreement** is amended to include the following:

   We will pay those sums that the insured becomes legally obligated to pay as damages because of a "violation(s)" of the Health Insurance Portability and Accountability Act (HIPAA). We have the right and the duty to defend the insured against any "suit," "investigation," or "civil proceeding" seeking these damages. However, we will have no duty to defend the insured against any "suit" seeking damages, "investigation," or "civil proceeding" to which this insurance does not apply.

2. Paragraph **2. Exclusions** is amended to include the following additional exclusions:

   This insurance does not apply to:

   a. **Intentional, Willful, or Deliberate Violations**

      Any willful, intentional, or deliberate "violation(s)" by any insured.

   b. **Criminal Acts**

      Any "violation" which results in any criminal penalties under the HIPAA.

   c. **Other Remedies**

      Any remedy other than monetary damages for penalties assessed.

   d. **Compliance Reviews or Audits**

      Any compliance reviews by the Department of Health and Human Services.

3. **SECTION V – DEFINITIONS** is amended to include the following additional definitions:

   a. "Civil proceeding" means an action by the Department of Health and Human Services (HHS) arising out of "violations."

   b. "Investigation" means an examination of an actual or alleged "violation(s)" by HHS. However, "investigation" does not include a Compliance Review.

   c. "Violation" means the actual or alleged failure to comply with the regulations included in the HIPAA.

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G. Medical Payments – Limit Increased to $20,000, Extended Reporting Period

If **COVERAGE C MEDICAL PAYMENTS** is not otherwise excluded from this Coverage Part:

1. The Medical Expense Limit is changed subject to all of the terms of **SECTION III - LIMITS OF INSURANCE** to the greater of:

   a. $20,000; or
   b. The Medical Expense Limit shown in the Declarations of this Coverage Part.

2. **SECTION I – COVERAGE, COVERAGE C MEDICAL PAYMENTS**, Subsection **1. Insuring Agreement**, a. (3) (b) is deleted in its entirety and replaced by the following:

   (b) The expenses are incurred and reported to us within three years of the date of the accident.

H. Athletic Activities

SECTION I – COVERAGES, COVERAGE C MEDICAL PAYMENTS, Subsection **2. Exclusions**, Paragraph **e. Athletic Activities** is deleted in its entirety and replaced with the following:

e. Athletic Activities

To a person injured while taking part in athletics.

I. Supplementary Payments

SECTION I – COVERAGES, SUPPLEMENTARY PAYMENTS - COVERAGE A AND B are amended as follows:

1. b. is deleted in its entirety and replaced by the following:

1. b. Up to $5000 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these.

1.d. is deleted in its entirety and replaced by the following:

1. d. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit", including actual loss of earnings up to $1,000 a day because of time off from work.

J. Employee Indemnification Defense Coverage

SECTION I – COVERAGES, SUPPLEMENTARY PAYMENTS – COVERAGES A AND B the following is added:

We will pay, on your behalf, defense costs incurred by an "employee" in a criminal proceeding occurring in the course of employment.

The most we will pay for any "employee" who is alleged to be directly involved in a criminal proceeding is $25,000 regardless of the numbers of "employees," claims or "suits" brought or persons or organizations making claims or bringing "suits.

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K. Key and Lock Replacement – Janitorial Services Client Coverage

SECTION I – COVERAGES, SUPPLEMENTARY PAYMENTS – COVERAGES A AND B is amended to include the following:

We will pay for the cost to replace keys and locks at the "clients" premises due to theft or other loss to keys entrusted to you by your "client," up to a $10,000 limit per occurrence and $10,000 policy aggregate.

We will not pay for loss or damage resulting from theft or any other dishonest or criminal act that you or any of your partners, members, officers, "employees", "managers", directors, trustees, authorized representatives or any one to whom you entrust the keys of a "client" for any purpose commit, whether acting alone or in collusion with other persons.

The following, when used on this coverage, are defined as follows:

a. "Client" means an individual, company or organization with whom you have a written contract or work order for your services for a described premises and have billed for your services.

b. "Employee" means:

(1) Any natural person:

(a) While in your service or for 30 days after termination of service;

(b) Who you compensate directly by salary, wages or commissions; and

(c) Who you have the right to direct and control while performing services for you; or

(2) Any natural person who is furnished temporarily to you:

(a) To substitute for a permanent "employee" as defined in Paragraph **(1)** above, who is on leave; or

(b) To meet seasonal or short-term workload conditions;

while that person is subject to your direction and control and performing services for you.

(3) "Employee" does not mean:

(a) Any agent, broker, person leased to you by a labor leasing firm, factor, commission merchant, consignee, independent contractor or representative of the same general character; or

(b) Any "manager," director or trustee except while performing acts coming within the scope of the usual duties of an "employee."

c. "Manager" means a person serving in a directorial capacity for a limited liability company.

L. Additional Insureds

SECTION II – WHO IS AN INSURED is amended as follows:

1. If coverage for newly acquired or formed organizations is not otherwise excluded from this

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Coverage Part, Paragraph **3.a.** is deleted in its entirely and replaced by the following:

a. Coverage under this provision is afforded until the end of the policy period.

2. Each of the following is also an insured:

a. **Medical Directors and Administrators** – Your medical directors and administrators, but only while acting within the scope of and during the course of their duties as such. Such duties do not include the furnishing or failure to furnish professional services of any physician or psychiatrist in the treatment of a patient.

b. **Managers and Supervisors** – Your managers and supervisors are also insureds, but only with respect to their duties as your managers and supervisors. Managers and supervisors who are your "employees" are also insureds for "bodily injury" to a co-"employee" while in the course of his or her employment by you or performing duties related to the conduct of your business.

This provision does not change Item 2.a.(1)(a) as it applies to managers of a limited liability company.

c. **Broadened Named Insured** – Any organization and subsidiary thereof which you control and actively manage on the effective date of this Coverage Part. However, coverage does not apply to any organization or subsidiary not named in the Declarations as Named Insured, if they are also insured under another similar policy, but for its termination or the exhaustion of its limits of insurance.

d. **Funding Source** – Any person or organization with respect to their liability arising out of:

(1) Their financial control of you; or

(2) Premises they own, maintain or control while you lease or occupy these premises.

This insurance does not apply to structural alterations, new construction and demolition operations performed by or for that person or organization.

e. **Home Care Providers** – At the first Named Insured's option, any person or organization under your direct supervision and control while providing for you private home respite or foster home care for the developmentally disabled.

f. **Managers, Landlords, or Lessors of Premises** – Any person or organization with respect to their liability arising out of the ownership, maintenance or use of that part of the premises leased or rented to you subject to the following additional exclusions:

This insurance does not apply to:

(1) Any "occurrence" which takes place after you cease to be a tenant in that premises; or

(2) Structural alterations, new construction or demolition operations performed by or on behalf of that person or organization.

g. **Lessor of Leased Equipment – Automatic Status When Required in Lease Agreement With You** – Any person or organization from whom you lease equipment when you and such person or organization have agreed in writing in a contract or agreement that such person or organization is to be added as an additional insured on your policy. Such person or

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organization is an insured only with respect to liability for "bodily injury," "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person or organization.

A person's or organization's status as an additional insured under this endorsement ends when their contract or agreement with you for such leased equipment ends.

With respect to the insurance afforded to these additional insureds, this insurance does not apply to any "occurrence" which takes place after the equipment lease expires.

h. Grantors of Permits – Any state or political subdivision granting you a permit in connection with your premises subject to the following additional provision:

(1) This insurance applies only with respect to the following hazards for which the state or political subdivision has issued a permit in connection with the premises you own, rent or control and to which this insurance applies:

(a) The existence, maintenance, repair, construction, erection, or removal of advertising signs, awnings, canopies, cellar entrances, coal holes, driveways, manholes, marquees, hoist away openings, sidewalk vaults, street banners or decorations and similar exposures;

(b) The construction, erection, or removal of elevators; or

(c) The ownership, maintenance, or use of any elevators covered by this insurance.

i. Vendors – Only with respect to "bodily injury" or "property damage" arising out of "your products" which are distributed or sold in the regular course of the vendor's business, subject to the following additional exclusions:

(1) The insurance afforded the vendor does not apply to:

(a) "Bodily injury" or "property damage" for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;

(b) Any express warranty unauthorized by you;

(c) Any physical or chemical change in the product made intentionally by the vendor;

(d) Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;

(e) Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;

(f) Demonstration, installation, servicing or repair operations, except such operations performed at the vendor's premises in connection with the sale of the product;

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(g) Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor; or

(h) "Bodily injury" or "property damage" arising out of the sole negligence of the vendor for its own acts or omissions or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:

(i) The exceptions contained in Sub-paragraphs **(d)** or **(f)**; or

(ii) Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

(2) This insurance does not apply to any insured person or organization, from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing.

j. Franchisor – Any person or organization with respect to their liability as the grantor of a franchise to you.

k. As Required by Contract – Any person or organization where required by a written contract executed prior to the occurrence of a loss. Such person or organization is an additional insured for "bodily injury," "property damage" or "personal and advertising injury" but only for liability arising out of the negligence of the named insured. The limits of insurance applicable to these additional insureds are the lesser of the policy limits or those limits specified in a contract or agreement. These limits are included within and not in addition to the limits of insurance shown in the Declarations

l. Owners, Lessees or Contractors – Any person or organization, but only with respect to liability for "bodily injury," "property damage" or "personal and advertising injury" caused, in whole or in part, by:

(1) Your acts or omissions; or

(2) The acts or omissions of those acting on your behalf;

in the performance of your ongoing operations for the additional insured when required by a contract.

With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to "bodily injury" or "property damage" occurring after:

(a) All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or

(b) That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

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m. **State or Political Subdivisions** – Any state or political subdivision as required, subject to the following provisions:

(1) This insurance applies only with respect to operations performed by you or on your behalf for which the state or political subdivision has issued a permit, and is required by contract.

(2) This insurance does not apply to:

(a) "Bodily injury," "property damage" or "personal and advertising injury" arising out of operations performed for the state or municipality; or

(b) "Bodily injury" or "property damage" included within the "products-completed operations hazard."

M. Duties In the Event of Occurrence, Claim or Suit

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS, Paragraph **2.** is amended as follows:

a. is amended to include:

This condition applies only when the "occurrence" or offense is known to:

(1) You, if you are an individual;

(2) A partner, if you are a partnership; or

(3) An executive officer or insurance manager, if you are a corporation.

b. is amended to include:

This condition will not be considered breached unless the breach occurs after such claim or "suit" is known to:

(1) You, if you are an individual;

(2) A partner, if you are a partnership; or

(3) An executive officer or insurance manager, if you are a corporation.

N. Unintentional Failure To Disclose Hazards

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS, 6. Representations is amended to include the following:

It is agreed that, based on our reliance on your representations as to existing hazards, if you should unintentionally fail to disclose all such hazards prior to the beginning of the policy period of this Coverage Part, we shall not deny coverage under this Coverage Part because of such failure.

O. Transfer of Rights of Recovery Against Others To Us

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS, 8. Transfer of Rights of

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Recovery Against Others To Us is deleted in its entirety and replaced by the following:

If the insured has rights to recover all or part of any payment we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

Therefore, the insured can waive the insurer's rights of recovery prior to the occurrence of a loss, provided the waiver is made in a written contract.

P. Liberalization

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS, is amended to include the following:

If we revise this endorsement to provide more coverage without additional premium charge, we will automatically provide the additional coverage to all endorsement holders as of the day the revision is effective in your state.

Q. Bodily Injury – Mental Anguish

SECTION V – DEFINITIONS, Paragraph **3.** is deleted in its entirety and replaced by the following:

"Bodily injury" means:

a. Bodily injury, sickness or disease sustained by a person, and includes mental anguish resulting from any of these; and

b. Except for mental anguish, includes death resulting from the foregoing (item **a.** above) at any time.

R. Personal and Advertising Injury – Abuse of Process, Discrimination

If **COVERAGE B PERSONAL AND ADVERTISING INJURY LIABILITY COVERAGE** is not otherwise excluded from this Coverage Part, the definition of "personal and advertising injury" is amended as follows:

1. **SECTION V – DEFINITIONS**, Paragraph 14.b. is deleted in its entirety and replaced by the following:

   b. Malicious prosecution or abuse of process;

2. **SECTION V – DEFINITIONS**, Paragraph 14. is amended by adding the following:

   Discrimination based on race, color, religion, sex, age or national origin, except when:

   a. Done intentionally by or at the direction of, or with the knowledge or consent of:

   (1) Any insured; or

   (2) Any executive officer, director, stockholder, partner or member of the insured;

   b. Directly or indirectly related to the employment, former or prospective employment, termination of employment, or application for employment of any person or persons by an insured;

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c. Directly or indirectly related to the sale, rental, lease or sublease or prospective sales, rental, lease or sub-lease of any room, dwelling or premises by or at the direction of any insured; or

d. Insurance for such discrimination is prohibited by or held in violation of law, public policy, legislation, court decision or administrative ruling.

The above does not apply to fines or penalties imposed because of discrimination.

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Exhibit F

IRS Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati OH 45201

In reply refer to: 0248667580
Mar. 17, 2010 LTR 4168C E0
95-3251490 000000 00
00034263
BODC: TE

RONALD MCDONALD HOUSE CHARITIES OF
SAN DIEGO INC
% LAURA WITHERS
2929 CHILDRENS WAY
SAN DIEGO CA 92123

034715

Employer Identification Number: 95-3251490
Person to Contact: Mr. Lockhart
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Mar. 08, 2010, request for information regarding your tax-exempt status.

Our records indicate that your organization was recognized as exempt under section 501(c)(03) of the Internal Revenue Code in a determination letter issued in December 1978.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Beginning with the organization's sixth taxable year and all succeeding years, it must meet one of the public support tests under section 170(b)(1)(A)(vi) or section 509(a)(2) as reported on Schedule A of the Form 990. If your organization does not meet the public support test for two consecutive years, it is required to file Form 990-PF, Return of Private Foundation, for the second tax year that the organization failed to meet the support test and will be reclassified as a private foundation.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

0248667580
Mar. 17, 2010 LTR 4168C E0
95-3251490 000000 00
00034264

RONALD MCDONALD HOUSE CHARITIES OF
SAN DIEGO INC
% LAURA WITHERS
2929 CHILDRENS WAY
SAN DIEGO CA 92123

Sincerely yours,

Michele M. Sullivan

Michele M. Sullivan, Oper. Mgr.
Accounts Management Operations I

Exhibit G

STATE OF CALIFORNIA
FRANCHISE TAX BOARD
PO BOX 1286
RANCHO CORDOVA CA 95741-1286

In reply refer to
755:G :GRW

September 26, 2003

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO INC
LAURA WITHERS
3615 KEARNY VILLA RD STE 104
SAN DIEGO CA 92123-1968

Purpose	:	CHARITABLE
Code Section	:	23701d
Form of Organization	:	Corporation
Accounting Period Ending	:	December 31
Organization Number	:	0862036

This letter confirms your previous exemption from state franchise and income tax under Section 23701d, Revenue and Taxation Code. In confirming your exempt status, we have made no examination of your current activities. If the organization has changed its operation, character, or purpose since exemption was originally granted, that change must be reported immediately to this office.

You may be required to file Form 199 (Exempt Organization Annual Information Return) on or before the 15th day of the 5th month (4 1/2 months) after the close of your accounting period. See annual instructions with forms for requirements.

You are not required to file state franchise or income tax returns unless you have income subject to the unrelated business income tax under Section 23731 of the Code. In this event, you are required to file Form 109 (Exempt Organization Business Income Tax Return) by the 15th day of the 5th month (4 1/2 months) after the close of your annual accounting period.

Contributions made to you are deductible by donors as provided by

Sections 17214 through 17216.2 and 24357 through 24359 of the Code, unless your purpose is testing for Public Safety.

G WALKER
EXEMPT ORGANIZATIONS
BUSINESS ENTITIES SECTION
TELEPHONE (916) 845-6053

RTF:

AGENDA ITEM

7

AGENDA STAFF REPORT

DATE: September 16, 2014

TO: Mayor and City Council

APPROVED BY: Richard N. Warne, Interim City Manager

PREPARED BY: Teri Nava, Housing Manager

SUBJECT: Resolution Authorizing the City Of Calexico to Approve the Program Income Waiver to be used for Land Acquisition for The Villa Primavera Affordable Family Development

==========

Recommendation:

Staff is recommending City Council approval of a $600,000 Community Development Block Grant Program (CDBG) Program Income (PI) waiver and approval of Resolution to be used for land acquisition for Villa Primavera, a 48 unit affordable family development. This will be a secured loan with similar terms as the previously awarded HOME loan.

Background:

The City of Calexico receives PI from a variety of different sources in prior CDBG funded activities. The City has approximately $1,300,000 in PI that the State of California Department of Housing and Community Development (HCD) actively monitors the jurisdictions (City of Calexico) to ensure that it is used or returned to the State.

The State CDBG Program allows for jurisdictions to apply for PI Waivers as an allowable expense from these funds. Once the jurisdiction approves the waiver it is then submitted to the State CDBG Program Representative and Manager for final approval.

Discussion & Analysis:

Villa Primavera is 48 unit multi-family development that received funding commitments from the HCD HOME program, the Multi-Family Housing Program, Federal Tax Credits, and State Tax Credits. The development is scheduled to start construction in October and be completed mid-Summer 2015. The CDBG PI funds will fill the gap in the financing, thereby allowing this project to proceed. This will provide numerous construction jobs as well as much needed affordable housing units for the City of Calexico.

AGENDA ITEM

7

Fiscal Impact:

$600,000 from the Program Income Fund.

Coordinated With:

State CDBG Program Representatives

Attachment:

Resolution Authorizing the City of Calexico to Approve the Program Income Waiver to be used for Land Acquisition for The Villa Primavera Affordable Family Development

Villa Primavera Project Summary

Villa Primavera Sources/Uses

RESOLUTION NO._____

THE GOVERNING BOARD OF THE CITY OF CALEXICO

HEREBY AUTHORIZES THE RESOLUTION AUTHORIZING THE CITY OF CALEXICO TO APPROVE THE PROGRAM INCOME WAIVER TO BE USED FOR LAND ACQUISITION FOR THE VILLA PRIMAVERA AFFORDABLE FAMILY DEVELOPMENT

WHEREAS:

A. City of Calexico, a political subdivision of the State of California, authorizes the Program Income waiver of Community Development Block Grant Program (CDBG) in the amount of $600,000 for Villa Primavera. Villa Primavera is a 48 unit 100% affordable multifamily development in the City of Calexico; and

B. The California Department of Housing and Community Development (hereinafter referred to as "HCD") require that the City Council approve any Program Income waivers before submittal to HCD for consent. This resolution meets that requirement; and

C. The City of Calexico wishes to distribute the Program Income funds received as follows:

$600,000 for site acquisition of Villa Primavera.

IT IS NOW THEREFORE RESOLVED THAT:

1. The City of Calexico shall approved the Program Income waiver of CDBG funds for Villa Primavera, and

2. The City of Calexico will distribute the Program Income waiver as follows:

$600,000 for site acquisition of Villa Primavera.

3. The City Council authorizes the Interim City Manager to execute any and all agreements and documents necessary or required by the Housing and Community Development Act as amended in 1992. The City Council agrees to use the Program Income waiver funds as outlined in this Resolution.

PASSED AND ADOPTED THIS 16TH DAY OF September, 2014, by the following vote:
AYES:_____
NAYES:_____
ABSTAIN:_____
ABSENT:_____

The undersigned _____(title of officer) of the _____(name of applicant) there before named does hereby attest and certify that the foregoing is a true and full copy of a resolution of the Governing Board adopted at a duly convened meeting on the date above-mentioned, which has not been altered, amended or repealed.

_____

Signature Date

EXHIBIT A: PROJECT SUMMARY

Villa Primavera
4%Tax Credits With HOME
48 Units

PROJECT DEAL STRUCTURE

Development Costs		
Eligible Costs		$ 11,616,139
Ineligible Costs		$ 1,666,726
Total Development Costs		**$ 13,282,864**
Sources:		
Federal LIHTC Equity		$ 3,748,200
State LIHTC Equity		$ 981,828
Solar credits		$ 174,193
Deferred Dev Fee		$ 488,644
HOME		$ 4,500,000
MHP		$ 2,790,000
CDBG		$ 600,000
Total Sources		**$ 13,282,864**
Prevailing Wage (Y/N):		Yes
Developer Fee	100%	$ 1,407,302
Deferred Fee	35%	$ 488,644

FINANCING ASSUMPTIONS

4% Tax Rate	Month: September-14	3.24%
Annual Federal Tax Credits		376,363
Federal Tax Credit Price		$ 0.9960
State Tax Credit Price		$ 0.7000
DCR		N/A
CF After D/S		N/A
Perm Loan Amort		N/A
Interest Rate - Permanent Loan		N/A
Interest Rate - Construction Loan		3.00%
Opr. Exp./Unit/Year		$ 4,670
Replacement Reserves/Unit/Year		$ 600
Vacancy Rate		5.00%

PROJECT UNIT & INCOME MIX

AMI	Studio	1BR	2BR	3BR	Totals
60%	0	0	3	3	6
50%	0	4	6	6	16
40%	0	6	9	3	18
30%	0	2	2	3	7
Mgr.	0	0	0	1	1
Totals	0	12	20	16	48

Housing Set-A-Side "Multi-Family"

EXHIBIT C: PROJECTED SOURCES AND USES OF FUNDS

Villa Primavera
48 units
4% + State Credits

945,801

B Bond	7,485,116
A Bond	0
Total	$7,485,116

93.6%of Bond Allocation

50% Test pass (Actual)
60.26%

		Pre-Dev	Close-10/2014	Quarter 1	Quarter 2	Quarter 3	MO 10/July 2015	Construction Subtotal	Stabilization 14 months	Completion Loan Pay Down	Month 24 Conversion Mar 2016	8609	Total
			========== 24 Months to Conversion ==========										
			----------Construction Period 10 months----------										
				20%	35%	35%	10%						
SOURCES OF FUNDS													
Federal LIHTC Equity		146,099	416,131	-	-		-	562,230		2,061,510	937,050	187,410	3,748,200
State LIHTC Equity			147,274	-	-		-	147,274		540,005	245,457	49,091	981,828
Construction Loan			1,443,361	1,997,820	1,384,809	777,954	1,609,572	7,213,516	271,600	(3,351,515)	(4,133,601)		-
Deferred Fee (max paid under UMR is $921,000)	Min. deferred=$486,302		-	-	-	-	-	-	-		488,644	-	488,644
HOME					1,500,000	1,500,000		3,000,000		1,000,000	500,000		4,500,000
MHP				-	-	-	-	-			2,790,000		2,790,000
Solar credits								-			174,193		174,193
CDBG			600,000					600,000					600,000
Total Sources of Funds		146,099	2,606,766	1,997,820	2,884,809	2,277,954	1,609,572	11,523,021	271,600	250,000	1,001,742	236,501	13,282,864
USES OF FUNDS													
ACQUISITION													
Land Cost			800,000	-	-	-	-	800,000	-		-	-	800,000
Demolition			-	-	-	-	-	-	-		-	-	-
Legal, Title, Carrying Costs			5,000	-	-	-	-	5,000	-		-	-	5,000
Total Land / Acquitisiton			805,000	-	-	-	-	805,000	-		-	-	805,000
NEW CONSTRUCTION - SOV 8-28-14													
Design/Build Architecture		31,650	147,700	7,913	7,913	7,913	7,913	211,000	-		-	-	211,000
Solar PV (100% tenant offset)			-	-	-	-	580,700	580,700	-		-	-	580,700
Site Work	$24.72/sq ft		-	527,330	527,330	-	-	1,054,661	-		-	-	1,054,661
Structures	$122.83/sq ft		-	1,024,072	1,792,126	1,792,126	632,035	5,240,358	-		-	-	5,240,358
General Requirements	4%		-	63,918	95,561.59	73,835.58	49,965	283,280	-		-	-	283,280
Contractor Overhead	4%		-	60,194	89,995	69,534	47,054	266,778	-		-	-	266,778
Contractor Profit	6%		-	93,084	139,167	107,528	72,764	412,543	-		-	-	412,543
Contractor General Liability Insurance				-	-	-	-	-	-		-	-	-
Additional Sustainability Features necessary for State Credit scoring			-	-			-	-	-		-	-	-
Total New Construction	$188.66/sq ft	31,650	147,700	1,776,511	2,652,093	2,050,936	1,390,430	8,049,320	-		-	-	8,049,320
ARCHITECTURAL													
Design		500	20,960		-	-	-	21,460	-		-	-	21,460
Supervision			-					-	-		-	-	-
Total Architectural		500	20,960	-	-	-	-	21,460	-		-	-	21,460
SURVEY & ENGINEERING													
Engineering		19,142	71,487	47,390				138,018	-		-	-	138,018
ALTA Land Survey			14,740	-	-	-	-	14,740	16,960		-	-	31,700
Total Survey & Engineering		19,142	86,227	47,390	-	-	-	152,758	16,960		-	-	169,718
CONTINGENCY COSTS													
Hard Cost Contingency	5.75%		8,493	102,149	152,495	117,929	79,950	461,016	-		-	-	461,016
Soft Cost Contingency				31,250	31,250	31,250	31,250	125,000	-		-	-	125,000
Total Contingency		-	8,493	133,399	183,745	149,179	111,200	586,016	-		-	-	586,016
CONSTRUCTION PERIOD EXPENSES													
Construction Loan Interest			-	15,820	29,271	38,140	14,010	97,240	238,200		-	-	335,440
Origination Fee	1.00%		74,851	-	-	-	-	74,851	-		-	-	74,851
Credit Enhancement & Application Fee			-	-	-	-	-	-	-		-	-	-
Owner Paid Bonds			-	-	-	-	-	-	-		-	-	-
Lender Inspection Fees			5,000	1,950	1,950	1,950	1,950	12,800	-		-	-	12,800
Taxes During Construction					5,000		5,000	10,000	-		-	-	10,000
Prevailing Wage Monitor				6,000	6,000	6,000	2,000	20,000	-		-	-	20,000
Insurance During Construction			60,000	-	-	-	-	60,000	-		-	-	60,000
Title and Recording Fees			22,500	-	-	-	-	22,500	-		-	-	22,500
Construction Mgmt. and Testing			-	-	-	-	20,000	20,000	-		-	-	20,000
Predevelopment Loan Interest			28,000	-	-	-		28,000	-		-	-	28,000
Other:			-	-	-	-	-	-	-		-	-	-
Total Construction Period Expense		-	190,351	23,770	42,221	46,090	42,960	345,391	238,200		-	-	583,591
PERMANENT FINANCING EXPENSES													

EXHIBIT C: PROJECTED SOURCES AND USES OF FUNDS

Villa Primavera
48 units
4% + State Credits

945,801

B Bond	7,485,116
A Bond	0
Total	$7,485,116

93.6% of Bond Allocation

50% Test pass (Actual)
60.26%

			Pre-Dev	Construction Period 10 months (24 Months to Conversion) Close-10/2014	Quarter 1	Quarter 2	Quarter 3	MO 10/July 2015	Construction Subtotal	Stabilization 14 months	Completion Loan Pay Down	Month 24 Conversion Mar 2016	8609	Total
					20%	35%	35%	10%						
80	Loan Origination Fees	1.50%		-	-	-	-	-	-	-		-	-	-
81	Credit Enhancement & Application Fee			-	-	-	-	-	-	-		-	-	-
82	Title and Recording Fees			-	-	-	-	-	-	-		10,000	-	10,000
88	Total Permanent Financing		-	-	-	-	-	-	-	-		10,000	-	10,000
89	LEGAL FEES													
90	Construction Lender Legal			50,000	-	-	-	-	50,000	-		-	-	50,000
91	Bond counsel / issuer counsel			52,500	-	-	-	-	52,500	-		-	-	52,500
92	Sponsor Legal		4,782	70,000	-	-	-	-	74,782	-		-	-	74,782
93	Organizational Legal			-	-	-	-	-	-	-		-	-	-
96	Other: GP Legal			15,000	-	-	-	-	15,000	-		-	-	15,000
97	**Total Legal Fees**		4,782	187,500	-	-	-	-	192,282	-		-	-	192,282
98														
99	CAPITALIZED RESERVES													
100	Operating Reserve			-	-	-	-	-	-	-		66,173	-	66,173
104	Other: Years 15 - 30 Reserve (ORI)			-	-	-	-	-	-	-		200,000	-	200,000
106	**Total Reserves**			-	-	-	-	-	-	-		266,173	-	266,173
107														
108	REPORTS & STUDIES													
109	Appraisal		4,300	12,500	-	-	-	-	16,800	-		-	-	16,800
110	Market Studies		17,634	5,000	-	-	-	-	22,634	-		-	-	22,634
111	Physical Needs Assessment			-	-	-	-	-	-	-		-	-	-
112	Environmental Studies		19,085	7,500	-	-	-	-	26,585	-		-	-	26,585
117	**Total Reports & Studies**		41,019	25,000	-	-	-	-	66,019	-		-	-	66,019
118														
119	OTHER													
120	TCAC App./Alloc/Monitoring Fees		20,126		-	-	-	-	20,126	-		4,769	-	24,895
121	CDLAC Filing Fee	0.035%	1,200	1,447	-	-	-	-	2,647	-		-	-	2,647
122	Local Permit Fees (includes IID)	$1,500/unit	9,000	189,540	-	-	-	-	198,540	-		-	-	198,540
123	Local Development Impact Fees	$14,229/unit		682,979	-	-	-	-	682,979	-		-	-	682,979
124	CMFA Issuer Fee		2,500	7,751	-	-	-	-	10,251	-		-	-	10,251
125	Syndicator/Investor Fees & Expenses			45,000	2,250	2,250	2,250	2,250	54,000	1,440		-	-	55,440
126	Furnishings - Community facilities			-	-	-	-	35,000	35,000	-		-	-	35,000
127	Final Cost Audit Expense		-	-	-	-	-	-	-	10,000			-	10,000
128	Marketing/Lease-up				10,000	-	25,000	26,232	61,232	5,000			-	66,232
129	MGP Fee				-	-	-	-	-	-		-	-	-
131	Other: Accounting/Finance/Admin		16,181	8,819	4,500	4,500	4,500	1,500	40,000	-		-	-	40,000
132	Other:TCAC/ CDLAC Application Costs				-	-	-	-	-	-		-	-	-
133	Other:			-	-	-	-	-	-	-		-	-	-
134	**Total Other Costs**		49,007	935,536	16,750	6,750	31,750	64,982	1,104,774	16,440		4,769	-	1,125,983
135														
136	DEVELOPER COSTS													
137	Developer Fee			200,000			-		200,000		250,000	720,801	236,501	1,407,302
144	**Total Developer Costs**		-	200,000	-	-	-	-	200,000	-	250,000	720,801	236,501	1,407,302
145														
146														
147	**Total Uses of Funds**		146,099	2,606,766	1,997,820	2,884,809	2,277,954	1,609,572	11,523,021	271,600	250,000	1,001,742	236,501	13,282,864
148	Net Source & Use			-	-	-	-	-	-	-		-	-	-
149	Distributions			-										-
150	**Balance of Funds**			-	-	-	-	-		-		-	-	-
														$13,282,864

AGENDA ITEM

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AGENDA STAFF REPORT

DATE: September 16, 2014

TO: Mayor and City Council

APPROVED BY: Richard N. Warne, Interim City Manager

PREPARED BY: Nick Servin, Public Works Director/City Engineer

SUBJECT: Resolution No. 2014-__ of the City Council of the City of Calexico authorizing the extension of the Conditional Certificate of Occupancy for Phase 1A of the Gran Plaza Project

==========

Recommendation:

1. Resolution No. 2014-__ of the City Council of the City of Calexico authorizing the extension of the Conditional Certificate of Occupancy for Phase 1A of the Gran Plaza Project

Background:

Pursuant to Resolution No. 2011-126 (Amended and Restated)(the "TSM Resolution"), in April of 2012, the Calexico City Council re-approved a tentative subdivision map of approximately 62 acres of land to create a minimum of five commercial lots for the Gran Plaza project (Project). Phase 1A of the Project has been substantially completed by the developer. However, there are several conditions from the TSM Resolution have not been met. These include the completion of certain traffic mitigation measures, payment of fair share traffic mitigation payments, completed review of the CC&Rs and payment of impact fees. Compliance with several of these conditions was required prior to the issuance of a certificate of occupancy. The developer requests the conditional certificate so that it may continue operation of the Project.

Discussion & Analysis:

Calexico Municipal Code section 15.02.010 adopted the 1997 Uniform Administrative Code (UAC), which allows the issuance of a temporary certificate of occupancy so long as a "substantial hazard will not result from occupancy of a building or portion thereof ..." The City Engineer and the City Council approved the issuance of a conditional certificate to Gran Plaza in November of 2013 and extended it in May of 2014. The City Engineer

AGENDA ITEM

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has determined that the project is substantially complete and does not pose a substantial hazard to occupancy. Staff would like direction from the City Council to extend the conditional certificate of occupancy, given the substantial scope of the Project and the nature of the outstanding conditions.

The conditional certificate of occupancy is not the same as a traditional certificate of occupancy. The proposed conditional certificate would only be extended to September 30th, 2015. During that time, the developer must meet certain conditions, including the completion of the outstanding improvements, payment of mitigation payments, completion of the CC&Rs and payment of the impact fees. Bonding will also be required for the remaining items under construction and the improvements.

Fiscal Impact:

None. Certain impact fees and mitigation payments will be deferred until September 30th, 2015.

Coordinated With:

None

Attachment:

Exhibit A: Resolution No. 2014-__ of the City Council of the City of Calexico authorizing the extension of the Conditional Certificate of Occupancy for Phase 1A of the Gran Plaza Project

Exhibit A-1: Proposed Extended Conditional Certificate of Occupancy, including Attachment 1 (Conditions to Conditional Certificate of Occupancy)

RESOLUTION NO. 2014-_____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALEXICO AUTHORIZING THE EXTENSION OF THE CONDITIONAL CERTIFICATE OF OCCUPANCY FOR PHASE 1A OF THE GRAN PLAZA PROJECT

WHEREAS, pursuant to Resolution No. 2011-126 (Amended and Restated)(the "TSM Resolution"), the Calexico City Council re-approved a tentative subdivision map of approximately 62 acres of land to create a minimum of five commercial lots for the Gran Plaza project (Project); and

WHEREAS, Phase 1A of the Project has been substantially completed by the developer; and

WHEREAS, several conditions from the TSM Resolution have not been met. which include the completion of certain traffic mitigation measures, payment of fair share traffic mitigation payments, completed review of the CC&Rs and payment of impact fees; and

WHEREAS, pursuant to the TSM Resolution, compliance with several of the foregoing conditions were required prior to the issuance of a certificate of occupancy; and

WHEREAS, the City Engineer has determined that the extension of a temporary /conditional certificate of occupancy is permissible for Phase 1A of the Project because occupancy will not pose a substantial hazard; and

WHEREAS, the proposed conditional certificate would only be valid until September 30th, 2015; and

WHEREAS, during the period of the conditional certificate of occupancy, the developer must meet certain conditions (attached as Exhibit A-1), including the bonding for and completion of the outstanding improvements, payment of mitigation payments, completion of the CC&Rs and payment of the impact fees.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CALEXICO HEREBY RESOLVES AS FOLLOWS:

Section 1. The above-listed recitals are true and correct and incorporated herein.

Section 2. The City Council finds and determines that pursuant to the information provided by the Project developer, and the inspection of the City Engineer, the conditional certificate of occupancy for Phase 1A of the Project may be extended because the occupancy does not pose a substantial hazard.

Section 3. Based on the foregoing, the City Engineer is authorized to extend the conditional certificate of occupancy in accordance with the terms set forth in Exhibit A-1 of this Resolution.

Section 4. This Resolution shall become effective immediately upon its adoption.

PASSED, ADOPTED, AND APPROVED by the City Council of the City of Calexico at the meeting on this 16th day of September, 2014.

_____
JOHN M. MORENO, MAYOR

ATTEST:

_____
GABRIELA T. GARCIA, DEPUTY CITY CLERK

APPROVED AS TO FORM:

_____
JENNIFER LYON, CITY ATTORNEY

STATE OF CALIFORNIA)
COUNTY OF IMPERIAL) SS.
CITY OF CALEXICO)

I, GABRIELA T. GARCIA, DEPUTY CITY CLERK OF THE CITY OF CALEXICO, DO HEREBY CERTIFY THAT THE ABOVE FOREGOING RESOLUTION NO. 2014-__, WAS DULY PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CALEXICO ON THIS 16th DAY OF SEPTEMBER, 2014 BY THE FOLLOWING VOTE TO WIT:

AYES:
NOES:
ABSENT:

_____
GABRIELA T. GARCIA, DEPUTY CITY CLERK

S E A L

Attachment 1
Conditions to Conditional Certificate of Occupancy – Gran Plaza Project (Phase 1)
Pursuant to Calexico Municipal Code §15.02.010, Uniform Administrative Code § 309.4

This conditional certificate of occupancy ("Conditional Certificate") for Phase 1 issued by the City of Calexico ("City") shall be valid through, September 30th, 2015(the "Expiration Date"). Prior to the Expiration Date, Corsair, LLC, a California limited liability company, ("Developer") shall meet the following conditions of this Conditional Certificate (collectively, the "Conditions") for the Gran Plaza Project ("Project"):

(1) Provide and construct certain designated improvements as described in condition no. 42, FEIR mitigation measure 3.11-1a (various improvements at the intersection of Cesar Chavez Blvd./2nd Street) pursuant to Resolution No. 2011-126 (Amended and Restated) of the City Council of the City of Calexico regarding the Project, approved on April 23, 2012 (the "Resolution") (collectively, the "Improvements") and/or enter into a Traffic Mitigation Fair Share Deferral to extend the date for payment of any fair share [to September 30, 2015] to be approved and executed by the City Engineer; and
(2) Provide all fair share traffic mitigation payments as provided in the Resolution, including:
(a) condition no. 48, FEIR mitigation measure 5-1, and
(b) condition no. 49, FEIR mitigation measure 5-1a (conditions 48 and 49 collectively referred to as the "Fair Share Contributions") and/or enter into a Traffic Mitigation Fair Share Deferral to extend the date for payment of any fair share [to September 30, 2015] to be approved and executed by the City Engineer; and
(3) Provide CC&Rs in a timely manner to the City and to the satisfaction of the City, and record the CC&Rs prior to recordation of the final map as described in condition no. 10 of the Resolution, as conditions precedent to City approval of the final map and/or issuance of a permanent or final certificate of occupancy; and
(4) Record the final map once it has been approved by the City;
(5) Pay all required development impact fees required by the Resolution for the Project no later than September 30, 2015;
(6) Secure all agreements with the County of Imperial and Caltrans for the required improvements and studies; and
(7) Meet all other conditions of the Resolution required prior to the issuance of a final certificate of occupancy.

General Terms of Conditional Certificate:

1. Developer shall hold harmless, indemnify, and defend the Indemnitees, as defined below, from the liabilities as defined in this section:
    a. The "Indemnitees" benefited and protected by this promise are the City, its appointed boards, commissions, officers, officials, agents, and employees.
    b. The liabilities protected against are any liability or claim for damage of any kind allegedly suffered, incurred, or threatened because of actions or inactions, and including personal injury, death, property damage, inverse condemnation, or any combination of these, and including the defense of any suit(s), action(s), or other proceeding(s) concerning these.
    c. The actions causing liability are any act or omission (negligent or non-negligent) in connection with the matters covered by this Conditional Certificate and/or operation of the Project under this Conditional Certificate which are attributable to the Developer, contractor, subcontractor, or any officer, agent, or employee of one (1) or more of them. The indemnification in this section is not conditioned or dependent on whether or not any Indemnitees have prepared, supplied, or approved any plan(s) or

specification(s) in connection with this Project, or has insurance or other indemnification covering any of these matters. Developer also agrees to hold harmless, defend and indemnify the Indemnitees for any claims or lawsuits filed against the Indemnitees due to the City's approval of this Conditional Certificate. The process for indemnification under this Section will be the same as that set forth in Section 8 of the Agreement Re Covenants between the City and Developer approved by the City of Calexico on July 2, 2013.

2. Certificate of Insurance/Additional Insured Endorsement - Developer, at its own expense, shall procure and maintain in full force at all times during the term of this Conditional Certificate, the following insurance which shall be provided on an Occurrence basis:

   a. Comprehensive Liability and Broad Form Comprehensive Liability. Developer shall maintain limits of no less than:

      (1) General Liability: Two million dollars ($2,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.

      If Commercial General Liability Insurance or other form with a general aggregate limit is used, Developer shall procure and maintain a limit of liability of not less than two million dollars ($2,000,000) per occurrence for bodily injury, personal injury and property damage.

   b. Other Insurance Provisions. The policies are to contain, or be endorsed to contain, the following provisions:

      (1) General Liability coverages.

         A. The City, its officers, officials, employees and volunteers are to be covered as insureds as respects: Liability arising out of activities performed by or on behalf of the Developer and completed operations of Developer, premises owned, occupied, or used by Developer, the coverage shall contain no special limitations on the scope or protection afforded to the City, its officers, officials, employees or volunteers.

         B. The Developer's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be in excess of Developer's insurance shall not contribute with it.

         C. Any failure to comply with the reporting provisions of the policy shall not affect the coverage provided to City, its officers, officials, employees, or volunteers.

      The aforementioned policies shall be issued by an insurance carrier having a rating of Best A-7 or better which is satisfactory to the City Attorney and shall be delivered to the City at the time of the execution of this Conditional Certificate or as provided below. In lieu of actual delivery of such policies, a certificate issued by the insurance carrier showing such policy is to be in force for the period covered by the Conditional Certificate may be delivered to the City. Such policies and such certificate(s) shall be in a form approved by the City Attorney, the policies mentioned in this subsection shall name the City as an additional insured and provide for thirty days' notice of cancellation to the City. Said policy shall not be canceled earlier than nor the amount of coverage reduced earlier than thirty days after the City receives notices from the insurer of the intent of cancellation or reduction.

The Developer's insurance obligation, as set forth herein, may be satisfied by the receipt of the required certificate(s) of insurance from the contractor retained by Developer to perform the work required by this Conditional Certificate at the time of application for any permits. The Certificate of Insurance shall contain all of the same protections for the City specified above.

3. The Developer hereby waives any cause of action against the City of Calexico and Developer further agrees to hold the City of Calexico or any of the Indemnitees defined above, harmless from any liability caused by such temporary clearance under this Conditional Certificate.

4. This Conditional Certificate shall be binding on the heirs, successors, and assigns of the parties hereto, and Developer shall furnish any successors, assigns, or purchasers of any part or all of the real property or the Project with a copy of this Conditional Certificate; provided, however, that Developer's failure, or that of any other person, to so furnish such copy shall in no way prejudice the rights of the City to require performance under this Conditional Certificate.

5. The City shall have the sole discretion to (1) not renew, extend or otherwise let this Conditional Certificate expire; (2) require discontinuance of the occupancy at the Project if this Conditional Certificate expires and all conditions of this Conditional Certificate have not been met; (3) immediately withdraw/suspend this Conditional Certificate in the event the Project is a hazard to public health and/or safety as determined by the City Engineer; (4) not agree to any type of assistance or funding for Phase 1B of the Project if the Conditions of this Conditional Certificate have not been met; and/or (5) withhold any final or permanent certificate of occupancy or subsequent and future certificates of occupancy related to the Project if Developer fails to complete any of the Conditions and obligations of this Conditional Certificate.

In consideration for the granting of this Conditional Certificate, I (on behalf of Developer) hereby agree to all of the Conditions, obligations and terms of this Conditional Certificate.

By: _____
[PRINT NAME AND TITLE]

Date: _____

Notarization required.

AGENDA ITEM

9

AGENDA STAFF REPORT

DATE: September 16, 2014

TO: Mayor and City Council

APPROVED BY: Richard N. Warne, Interim City Manager

PREPARED BY: John T. Quinn, Finance Director

SUBJECT: **Discussion of Measure "H" Revenues and Expenditures**

==========

Recommendation:

Receive and File the Attached Report to the City Council Related to the City's Measure "H" Sales Tax One-Half Cent Add-On Initiative.

Background:

This report was prepared to address questions and concerns expressed by certain members of the City Council at its September 2, 2014, regular meeting. Although staff is not certain about what specific issues are foremost in priority for the Council, this report provides comprehensive detail and background that should be very helpful in establishing a better understanding of the Measure "H" topic.

Discussion & Analysis:

The voters approved an initiative in 2010 to add one-half of a cent to the City's Sales Tax currently charged for goods and services at the rate of 8.5 percent including the one-half cent add-on. There is a "sunset" or expiration for the add-on which is the year 2030, or sixteen years from now. At that time the one-half cent will be removed from the City's Sales Tax rate and revert to whatever rate is then in effect.

For purposes of record keeping and tracking the approval of the use of The Measure "H" Sales Tax received, there are **two** distinct processes. They are:

1. The **operations component** that provides for a committee of citizens to recommend to the Council uses for the Sales Tax receipts generated by sales reported to the State Board of Equalization (BOE) each month. The Council approves, modifies or rejects the committee's recommendations and the staff acts accordingly. A worksheet is attached to this report and is identified as **Exhibit "A"** that shows the complete history of the Sales Tax receipts and uses of the funds recommended by the committee and approved by the Council.

AGENDA ITEM 9

EXHIBIT 'A'

City of Calexico
Measure H Status
As of June 30, 2014

Measure H Sales Tax Revenue:		
FY 2010-11	1,345,409	
FY 2011-12	2,237,723	
FY 2012-13	2,137,168	
Estimated to-date FY 2013-14	2,483,881	
Total Revenue Received Through 6/30/14		8,204,181
Less: Contingency Reserve		820,418
Net Measure H Sales Tax Revenue		**7,383,763**
Approved and Spent Funds:		
Police:		
Public Safety Transfer	1,800,000	
School Resource Officers	429,803	
Police Training	50,000	
Public Safety Feasibility Study	19,950	
Sub-Total Police		2,299,753
Fire:		
Public Safety Transfer	1,200,000	
Fire Truck Lease	614,586	
Ladder Truck Payment	369,000	
Sub-Total Fire		2,183,586
Other:		
Swimming Pool	1,000,000	
City Attorney	4,509	
Crossing Guards	243,167	
Contract Services	12,260	
City Hall A/C Replacement	50,000	
Parks	504,756	
Materials and Supplies	7,011	
Sub-Total Other		1,821,703
Total Approved and Spent Funds through 6/30/2014	**Note (1)**	6,305,042
Total Revenue Less Spent and Approved Commitments		**1,078,721**

EXHIBIT 'B'

To: Richard Warne
Interim City Manager

From: Marshall Linn
Financial Advisor

Subject: Councilman Kim's questions regarding the legality of the recently completed $11,200,000 Calexico Financing Authority Measure "H" Sales Tax/Lease Revenue Bonds Issue of 2104.

Date: 10 July 2014

It is my understanding the Councilman Kim is questioning the legality of the above referenced Bond Issue. Please be advised that the structure that was used to capitalize Measure H Sales Tax Revenues is commonly used throughout the United States and is very common in the State of California. In fact BILLIONS of dollars of similar types of securities are issued on an annual basis, are well received in the municipal securities market.

In addition, the Calexico issue has been so well received in the market place that the City received a "A" underlying rating from Standard and Poor's and an AA Insured rating based on the Bond Insurance that was purchased by the City.

As has been the case over the last decades, the City has used a nationally known bond counsel that has opined on the structure of the transaction. Basically speaking, the structure works as follows:

> The Bonds were issued pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of the Title 1 of the California Government Coded, including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, and a Trust Agreement, dated as of June 1, 2014 by and among the City of Calexico, the Authority and U.S. Bank National Association, as the Trustee for the Bonds. Proceeds from the sale of the bonds will be used to (i) finance a portion of the costs of a new fire station headquarters and various park and recreation improvements; (ii) fund a deposit to the Reserve Account in an amount equal to the Reserve Requirement.
>
> The Bonds are payable solely from, and secured by, a pledge of the Trust Estate and moneys in certain funds and accounts held under the Trust Agreement. The Trust Estate consists primarily of lease payments to be made by the City to the Authority pursuant to a Lease Agreement, dated as of June 1, 2014, by and between the Authority and the City as rental for the right to use and occupy certain real property. Pursuant to an Assignment Agreement, dated as of June 1, 2014, by and between the Authority and the Trustee, the Authority has assigned to the Trustee for the benefit of the Owners of the Bonds, certain of the Authority's rights under the Lease, including its rights to receive Lease Payments for the purpose of securing the payment of debt service on the Bonds. Under the Lease, the City covenants to take such action as necessary to include the Lease Payments in its annual budgets and to make all necessary appropriations for such Lease Payments.

The Bonds are special obligations of the Authority payable solely from, and secured by, a pledge of the Trust Estate and certain funds and accounts held under the Trust Agreement. The Bonds are not a debt

of the City, the County of Imperial, the State of California, nor any of its political subdivisions (including any member of the Authority). The Authority has no taxing power. The obligation of the City to make Lease Payments under the Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

In addition, please be advised that the City Council, on December 11, 2013, adopted Resolution Number 2013-55 which authorized the Mayor and the City Manager to execute each of the documents necessary to complete the transaction including the lease agreements. Included in the approval of documents, and finalized at the closing, as evidenced by the Mayor's signature, was the approval of the final Official Statement (which is identical to the preliminary Official Statement approved by the City Council) which explains in detail the lease agreements and the substitution of property, if applicable.

The signing of bond "closing" documents for the most part is a ministerial act on the part of the Mayor, the City Manager and the City Clerk. It simply memorializes the direction of the City Council.

NEW ISSUE — BOOK-ENTRY ONLY **RATINGS: Standard & Poor's: "AA" (Insured) / "A" (Underlying)**
(See "CONCLUDING INFORMATION – Ratings" 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.

$11,200,000
CALEXICO FINANCING AUTHORITY
MEASURE "H" SALES TAX/LEASE REVENUE BONDS
ISSUE OF 2014

Dated: Delivery Date **Due: April 1, as shown on the inside cover**

The Calexico Financing Authority (the "Authority") will issue its Measure "H" Sales Tax/Lease Revenue Bonds, Issue of 2014 (the "Bonds") pursuant to a Trust Agreement, dated as of June 1, 2014 (the "Trust Agreement"), by and among the City of Calexico (the "City"), the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Proceeds of the Bonds will be used to (i) finance a portion of the costs of a new fire station headquarters and various park and recreation improvements; (ii) fund a deposit to the Reserve Account in an amount equal to the Reserve Requirement; and (iii) pay costs of issuance of the Bonds.

The Bonds will be payable solely from, and secured by, the Trust Estate and certain funds and accounts held under the Trust Agreement. The Trust Estate consists primarily of lease payments ("Lease Payments") to be made by the City pursuant to a Lease Agreement, dated as of June 1, 2014 (the "Lease"), by and between the City and the Authority, for the leasing of certain real property. Under the Lease, the City covenants to take such action as necessary to include the Lease Payments in its annual budgets and to make all necessary appropriations for such Lease Payments (subject to abatement under certain circumstances as described in this Official Statement).

The Bonds are subject to optional redemption and mandatory term bond redemption prior to their stated maturity as described in this Official Statement. See "THE BONDS – Redemption."

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of $5,000. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal of, and interest on, the Bonds will be paid directly to DTC by the Trustee. Principal of the Bonds is payable on their maturity dates set forth on the inside cover. Interest on the Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2014. Upon its receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "BOND INSURANCE."

ASSURED GUARANTY®
MUNICIPAL

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM, AND SECURED BY, A PLEDGE OF THE TRUST ESTATE AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE TRUST AGREEMENT. THE BONDS ARE NOT A DEBT OF THE CITY, THE COUNTY OF IMPERIAL, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY). THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

See the section of this Official Statement entitled "RISK FACTORS" for a discussion of some of the risk factors that should be considered, in addition to other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds. This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

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. In addition, certain legal matters will be passed on for the Authority by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as Disclosure Counsel. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York on or about June 19, 2014.

SOUTHWEST SECURITIES, INC.

The date of this Official Statement is June 5, 2014.

$11,200,000
CALEXICO FINANCING AUTHORITY
MEASURE "H" SALES TAX/LEASE REVENUE BONDS
ISSUE OF 2014

MATURITY SCHEDULE

$6,140,000 Serial Bonds

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	CUSIP** (Base 129534)
2015	$615,000	3.00%	0.370%	AA1
2016	525,000	3.00	0.650	AB9
2017	545,000	4.00	1.000	AC7
2018	565,000	4.00	1.400	AD5
2019	585,000	4.00	1.800	AE3
2020	610,000	4.00	2.150	AF0
2021	635,000	4.00	2.450	AG8
2022	660,000	4.00	2.700	AH6
2023	685,000	4.00	2.900	AJ2
2024	715,000	4.00	3.000	AK9

$5,060,000 5.00% Term Bond due April 1, 2030, Yield 3.740%[c], CUSIP:**129534 AL7

(c) Priced to call on April 1, 2024 at 100%.

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CALEXICO FINANCING AUTHORITY
CALEXICO, CALIFORNIA

CITY COUNCIL/AUTHORITY

Bill Hodge, *Mayor/Chair*
John Moreno, *Mayor Pro Tem/Vice-Chair*
Luis J. Castro, *Councilmember/Director*
Maritza Hurtado, *Councilmember/Director*
Joong S. Kim, *Councilmember/Director*

CITY AND AUTHORITY STAFF

Andrew Takata, *Interim City Manager/Interim Executive Director*
John Quinn, *Finance Director/Treasurer*
Gabriela Garcia, *Deputy City Clerk/Secretary*

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

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

Trustee
U.S. Bank National Association
Los Angeles, California

Financial Advisor and Dissemination Agent
Urban Futures, Inc.
Orange, California

Underwriter
Southwest Securities, Inc.
Cardiff by the Sea, 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 Authority 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 Authority 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 Authority 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 Authority, 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 Authority or the other parties described in this Official Statement, since the date of this Official Statement.

Document Summaries. All summaries of the Trust Agreement 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 Trust Agreement and such other documents are qualified in their entirety by reference to such documents, which are on file with the Authority.

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.

Bond Insurance. Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix G - Specimen of Bond Insurance Policy".

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$11,200,000
CALEXICO FINANCING AUTHORITY
MEASURE "H" SALES TAX/LEASE REVENUE BONDS
ISSUE OF 2014

This introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the Bonds. Potential investors are encouraged to read the entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement.

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and appendices, is provided to furnish information in connection with the sale by the Calexico Financing Authority (the "Authority") of its $11,200,000 aggregate principal amount Measure "H" Sales Tax/Lease Revenue Bonds, Issue of 2014 (the "Bonds"). The Bonds are being issued pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the California Government Code, including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 thereof (the "Bond Law"), and a Trust Agreement, dated as of June 1, 2014 (the "Trust Agreement"), by and among the City of Calexico ("City"), the Authority and U.S. Bank National Association, as the trustee for the Bonds (the "Trustee"). Proceeds from the sale of the Bonds will be used to (i) finance a portion of the costs of a new fire station headquarters and various park and recreation improvements; (ii) fund a deposit to the Reserve Account in an amount equal to the Reserve Requirement; and (iii) pay costs of issuance of the Bonds.

Interest on the Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2014. The Bonds will mature in the amounts and on the dates and bear interest at the rates shown on the inside cover of this Official Statement. The Bonds will be issued in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as the depository for the Bonds and all payments due on the Bonds will be made to Cede & Co. Ownership interests in the Bonds may be purchased only in book-entry form. See "THE BONDS – Book-Entry Only System" and "APPENDIX F – DTC'S BOOK-ENTRY ONLY SYSTEM."

Security for the Bonds

The Bonds are payable solely from and secured by a pledge of the Trust Estate (defined below) and moneys in certain funds and accounts held under the Trust Agreement. The Trust Estate consists primarily of lease payments ("Lease Payments") to be made by the City to the Authority pursuant to a Lease Agreement, dated as of June 1, 2014 (the "Lease"), by and between the Authority and the City as rental for the right to use and occupy certain real property (the "Leased Property"). Pursuant to an Assignment Agreement, dated as of June 1, 2014 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority has assigned to the Trustee for the benefit of the Owners of the Bonds, certain of the Authority's rights under the Lease, including its rights to receive Lease Payments for the purpose of securing the payment of debt service on the Bonds. Under the Lease, the City covenants to take such action as necessary to include the Lease Payments in its annual budgets and to make all necessary appropriations for such Lease Payments (subject to abatement under certain circumstances described in the Lease). See "SECURITY FOR THE BONDS."

A Reserve Account will be established and maintained by the Trustee pursuant to the Trust Agreement. Upon issuance of the Bonds, the Trustee will deposit $998,000 from the sale proceeds into the Reserve Account, which amount is equal to the initial Reserve Requirement for the Bonds (defined below, see "SECURITY FOR THE BONDS – Reserve Account"). Pursuant to the Trust Agreement, money in the Reserve Account will be used by the Trustee to replenish the Interest Account and/or the Principal Account in the event of deficiency in such accounts for payment of interest on and/or principal of the Bonds. Lease Payments payable by the City under the Lease are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due. However, under certain circumstances, Lease Payments may be abated under the Lease without constituting a default. See "SECURITY FOR THE BONDS – Abatement," "—Reserve Account" and "RISK FACTORS – Abatement of Lease Payments and Additional Payments."

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "Bond Insurance Policy") to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (the "Bond Insurer"). See "BOND INSURANCE."

The City

The City of Calexico, a California general law city, is located in Imperial County (the "County"), California (the "State"), approximately 120 miles east of the City of San Diego and approximately 60 miles west of Yuma, Arizona. Incorporated in 1908, the City encompasses an area of approximately four square miles with an average elevation at sea level. 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. Mexicali's population is approximately 1 million, and the City's population was estimated by the State Department of Finance to be approximately 40,564 as of January 1, 2014. The City has a Council/City Manager form of government consisting of five Council members elected to four-year overlapping terms. The City is included in the El Centro Metro Statistical Area, where government, agriculture, and trade, transportation and utilities comprise the industries employing the largest numbers of persons. See "APPENDIX A – SUPPLEMENTAL INFORMATION – THE CITY OF CALEXICO" for more general information about the City.

Continuing Disclosure

The City has covenanted in a Continuing Disclosure Agreement to prepare and deliver an annual report to the Municipal Securities Rulemaking Board. See "CONCLUDING INFORMATION – Continuing Disclosure" and "APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Summaries of Documents

This Official Statement contains descriptions of the Bonds, the Trust Agreement, the Lease, the Assignment Agreement, the Authority, the City and various other agreements and documents. The descriptions and summaries of documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms which are not defined in this Official Statement have the meanings set forth in the Trust Agreement. Copies of the Trust Agreement and other documents related to the Bonds are available for inspection during business hours at the corporate trust office of the Trustee in Los Angeles, California.

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Trustee with respect to the Bonds. Urban Futures, Incorporated, Orange, California, has served as Financial Advisor to the Authority. All proceedings in connection with the issuance of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, A Professional Law Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed on for the Authority by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as Disclosure Counsel. Certain legal matters will also be passed on for the Authority and the City by McDougal, Love, Eckis, Boehmer & Foley, a Professional Corporation, La Mesa, California, as City Attorney and Authority Counsel. The fees and expenses of Bond Counsel, Disclosure Counsel and the Financial Advisor are contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date as set forth on the cover, and the information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the City since the date of this Official Statement.

Unless otherwise expressly noted, all references to internet websites in this Official Statement are shown for reference and convenience only, and none of their content is incorporated herein by reference. The information contained within such websites has not been reviewed by the Authority or the City and neither the Authority nor the City makes no representation regarding the information therein.

ESTIMATED SOURCE AND USES OF PROCEEDS

The table below shows the estimated sources and uses of proceeds from the sale of the Bonds:

Sources:	
Par amount of the Bonds	$11,200,000.00
Plus: Original issue premium	1,010,180.25
Less: Underwriter's discount	(100,240.00)
Total Sources	$12,109,940.25
Uses:	
Project Account	$10,860,723.85
Reserve Account[(1)]	998,000.00
Costs of Issuance Account[(2)]	251,216.40
Total Uses	$12,109,940.25

(1) Deposit equal to the initial Reserve Requirement with respect to the Bonds. See "SECURITY FOR THE BONDS—Reserve Account".

(2) Costs of Issuance include fees and expenses for bond insurance policy, Bond Counsel, Disclosure Counsel and Trustee, printing expenses and other costs.

SCHEDULE OF ANNUAL LEASE PAYMENTS

The Trust Agreement requires that the semi-annual Lease Payments be deposited in the Lease Payment Account to make the payment of principal and interest on the Bonds when due. The total Lease Payments to be made in each year are as follows:

Maturity Date April 1	Principal	Interest	Total Lease Payments
2015	$615,000.00	$381,640.00	$996,640.00
2016	525,000.00	468,750.00	993,750.00
2017	545,000.00	453,000.00	998,000.00
2018	565,000.00	431,200.00	996,200.00
2019	585,000.00	408,600.00	993,600.00
2020	610,000.00	385,200.00	995,200.00
2021	635,000.00	360,800.00	995,800.00
2022	660,000.00	335,400.00	995,400.00
2023	685,000.00	309,000.00	994,000.00
2024	715,000.00	281,600.00	996,600.00
2025	745,000.00	253,000.00	998,000.00
2026	780,000.00	215,750.00	995,750.00
2027	820,000.00	176,750.00	996,750.00
2028	860,000.00	135,750.00	995,750.00
2029	905,000.00	92,750.00	997,750.00
2030	950,000.00	47,500.00	997,500.00
Total	$11,200,000.00	$4,736,690.00	$15,936,690.00

THE PROJECT

Bond proceeds will be used to build capital facilities throughout the City, including a new fire station headquarters. Approximately $7,000,000 of Bond proceeds is estimated to be used to acquire land, design, and then construct the new fire station facility. In addition, approximately $1,800,000 in Bond proceeds will be used for various park and other recreational improvements, and another $2,000,000 to fund the City's share of a joint Calexico School District/City swimming pool (collectively, the "Project").

The Authority intends to issue a second series of revenue bonds within the next 24 months to construct a new police department station with approximately $5,000,000 from the proceeds of such second series.

THE BONDS

Description of the Bonds

The Bonds will be executed and delivered as one fully-registered Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "Book-Entry Only System" below. The initially executed and delivered Bonds will be dated the Delivery Date and mature on April 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 April 1 and October 1 in each year, commencing on October 1, 2014, by check or draft 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 Payment Date.

Book-Entry Only System

The Bonds will be issued as one fully registered bond without coupons for each maturity and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in multiples of $5,000. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. So long as DTC's book-entry system is in effect with respect to the Bonds, notices to Owners of the Bonds by the Authority or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Bonds, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See "APPENDIX F – DTC'S BOOK-ENTRY ONLY SYSTEM."

In the event that such book-entry system is discontinued with respect to the Bonds, the Authority will execute and deliver replacements in the form of registered certificates and, thereafter, the Bonds will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: the principal of, and redemption premium, if any, on the Bonds will be payable on the surrender thereof at maturity or the redemption date, as applicable, at the corporate trust office of the Trustee in Los Angeles, California (or such other location as designated by the Trustee). The interest on the Bonds will be payable by check mailed on each Interest Payment Date to the registered bondowners as shown on the registration books of the Trustee as of the close of business on the Record Date before such the Interest Payment Date; provided, that a registered owner of $1,000,000 or more in aggregate principal amount of Bonds may specify in writing prior to the Record Date that the interest payment payable on each succeeding Interest Payment Date be made by wire transfer.

Redemption*

Optional Redemption. The Bonds maturing on and after April 1, 2025 are subject to optional redemption prior to maturity, at the option of the City pursuant to the Lease, as a whole or in part on any date on or after April 1, 2024 from available funds in the Redemption Account including the amount of the Purchase Option Price in the event the City exercises its option to purchase the Project, at the following redemption price expressed as a percentage of the principal amount to be redeemed plus accrued interest to the redemption date:

Redemption Date*	Redemption Price (expressed as a percentage of par)
April 1, 2024 and thereafter	100%

Mandatory Term Bond Redemption. The Bonds maturing on April 1, 2030 are subject to mandatory redemption by lot in the principal amounts hereinafter set forth, without premium, on April 1 of each year, commencing on April 1, 2025, from the principal portion of the Lease Payments required to be on deposit in the Lease Payment Account on the Lease Payment Date immediately prior to April 1 in each of the following years and in the following amounts:

Redemption Date (April 1)	Principal Amount
2025	$745,000.00
2026	780,000.00
2027	820,000.00
2028	860,000.00
2029	905,000.00
2030 (maturity)	950,000.00

If less than all of the Bonds of a single maturity are called for redemption, the particular Bonds or portions thereof to be redeemed will be selected by the Trustee by lot in the principal amount of $5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by $5,000. Whenever provisions are made for the redemption of Bonds in part, the Bonds to be redeemed will be redeemed from each maturity, with the mandatory redemption schedule set forth above to be adjusted accordingly, in order to maintain substantially the same proportionate amount of annual principal payments with respect to the remaining maturities of the Bonds as existed prior to redemption.

Notice of Redemption

When redemption of Bonds is required under the Trust Agreement, the Trustee will, at the expense of the City, give notice of the redemption of such Bonds, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds are to be redeemed, the letters and numbers of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice will also specify the respective portions of the principal amount thereof to be redeemed. Such notice will further state that on such date there will become due and payable upon each Bond to be redeemed the principal amount to be redeemed, together with interest accrued to the redemption date, and that from and after such date interest on the principal amount redeemed will cease to accrue and be payable. The Trustee will mail a copy of such notice, postage prepaid, first class United States mail, not less than 30 days and not more than 60 days before the redemption date, to the Bondowners of any Bonds or portions of Bonds which are to be redeemed, at their addresses as the same appear upon the registry books, but neither the failure of a Bondowner to receive such notice nor any immaterial defect therein will affect the validity of the proceedings for the redemption of Bonds.

Transfer and Exchange of Bonds

The Bonds may be transferred or exchanged on the books maintained by the Trustee under the terms and conditions set forth in the Trust Agreement, including payment of any tax, fee or other governmental charge on such transfer or exchange. The Trustee will not be required to transfer or exchange any Bonds selected for redemption or within 15 days before the selection of Bonds for redemption.

SECURITY FOR THE BONDS

Pledge of Trust Estate

The Bonds are payable from and secured by a pledge of the Trust Estate and certain funds and accounts established and held by the Trustee under the Trust Agreement. The Trust Estate, as defined in the Trust Agreement, means all right, title and interest of the Trustee in and to the Lease Payments, Additional Payments and the Lease including, without limitation, all amounts from time to time deposited in accordance with the provisions of the Lease in the accounts and subaccounts created pursuant to the Trust Agreement, including all investments and investment earnings thereon, excluding, however, all moneys deposited or required to be deposited in the Excess Investment Earnings Account.

Pursuant to the Assignment Agreement, the Authority has assigned to the Trustee for the benefit of the Owners of the Bonds, certain of its rights under the Lease, including its right to receive Lease Payments for the purpose of securing the payment of debt service on the Bonds.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

The City covenants, under the Lease, to make Lease Payments as rental for the right to use and occupy the Leased Property. Amounts of the scheduled Lease Payments are calculated to be sufficient to pay debt service on the Bonds when due. Lease Payments will be paid by the City semiannually to the Trustee on the dates specified in the Lease preceding each Interest Payment Date. Upon receipt, the Trustee will deposit the Lease Payments in the Project Trust Fund for the purposes of paying principal of and interest on the Bonds and replenishing the Reserve Account, if required. The City covenants under the Lease to take such action as may be necessary to include all Lease Payments and Additional Payments in its annual budgets and to make the necessary annual appropriations for all such rental payments. Under certain circumstances described in the Lease, however, Lease Payments are subject to abatement during periods of substantial interference with the City's use and occupancy of all or a portion of the Leased Property, as described below.

Abatement

Except to the extent of (i) amounts held by the Trustee in the Lease Payment Account or in the Reserve Account, (ii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Lease or to the Trustee for payments in respect of the Bonds, and (iii) amounts available from the Measure "H" Revenues, the obligation of the City to pay Lease Payments and Additional Payments due under the Lease will be abated during any period in which, by reason of material damage or destruction to, or condemnation of, the Project or any portion thereof, or defects in title to the Project, there is substantial interference with the use and possession by the City of all or such portion of the Project.

The amount of abatement will be such that the resulting Lease Payments and Additional Payments during which such interference continues, excluding any amounts described in clauses (i), (ii) or (iii) above, do not exceed the fair rental value of the portions of the Project as to which such damage, destruction, condemnation or title defects do not substantially interfere with the City's use and possession, as evidenced by a certificate of a City representative. Such abatement will continue for the period commencing with the date of such interference and ending with the restoration of the Project to tenantable condition. Except as provided in the Lease, in the event of such damage, destruction or taking, the Lease and Additional Payments shall continue in full force and effect, and the City waives any right to terminate the Lease by virtue of any such damage, destruction or taking.

The City covenants that no additional bonds, notes or obligations shall be issued by the City pursuant to any law of the State which will have any priority in payment of principal or interest out of the portion of the Measure "H" Revenues deposited in the Measure "H" Revenues Fund over the Lease Payments.

Insurance; Condemnation

Pursuant to the Lease, the City is required to maintain rental interruption insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance required to be maintained as provided in the Lease Agreement. Such rental interruption insurance will name the Trustee as loss payee**.** The Net Insurance Proceeds of such rental interruption insurance shall be paid to the Trustee and deposited (1) in the Reserve Account to make up any deficiencies therein, and (2) in the Lease Payment Account, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. No self-insurance will be permitted with respect to the above requirements for rental interruption insurance.

The Lease also requires the City to procure and maintain, throughout the term of the Lease, a standard commercial general liability insurance policy or policies, naming as additional insureds the Authority, the Trustee, and their directors, officers, agents and employees, insuring against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the use or operation of the Project, in the form of a combined single limit policy in the minimum amount of $10,000,000. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City. In addition, the City will at all times comply with the workers' compensation insurance laws of the State of California to the extent applicable to the City.

As an alternative to providing the insurance required in the paragraph above, the City may provide a self-insurance method or plan of protection (but only from a special fund of the City or other source for which the General Fund of the City is not in any fashion obligated nor to which the City is otherwise obligated to make payments), covering one or all of the insurance coverages required to be provided by the paragraph above, so long as (i) such self-insurance method or plan of protection shall afford reasonable protection to the Authority and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by counties in the State, (ii) the City shall have provided evidence to the Authority and the Trustee that the City has segregated amounts in a special insurance reserve meeting the requirements of the Lease, and (iii) in the reasonable opinion of the City's risk manager or a reputable independent insurance consultant, such self-insurance is maintained at an actuarially sound level for the purpose of the Lease.

The City and/or the Authority shall transfer to the Trustee any other Net Proceeds received by the City and/or Authority in the event of any taking by eminent domain or condemnation with respect to the Project, for deposit in the Insurance and Condemnation Account.

Reserve Account

Pursuant to the Trust Agreement, the Trustee will establish and maintain a Reserve Account in the Project Trust Fund equal to the Reserve Requirement. The Reserve Requirement, as defined in the Trust Agreement, means an amount equal to the lesser of (i) Maximum Annual Debt Service; (ii) 10% of the proceeds of the Bonds; or (iii) 125% of Average Annual Debt Service. Money on deposit in the Reserve Account will be used solely for the purpose of (i) paying principal of, or interest on, the Bonds when due and payable to the extent that moneys deposited in the Lease Payment Account are not sufficient for such purpose, and (ii) making the final payments of principal of and interest on the Bonds. If the amounts on deposit in the Reserve Account are insufficient at any time to pay the full amount of principal of and interest on the Bonds then required to be paid from the Reserve Account, the Trustee will apply such amounts first, to the payment of interest and second, to the payment of principal.

Substitution of Property

Pursuant to the Lease, the real or personal property constituting the Project (including without limitation the Property and the Capital Improvements, as both such terms are defined in the Lease) may be substituted, in whole or in part, by other properties, at the option of the City; provided, that the following conditions shall have been satisfied: (i) such substitution does not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of the Bonds; (ii) the City certifies to the Authority and the Trustee that the fair rental value of the substituted property is at least equal to the Lease Payments each year for the remaining term of the Lease; (iii) in the event that the substituted property consists in whole or in part of real property, a California Land Title Association insurance policy (or, at the City's sole discretion, an American Land Title Association insurance policy) on the substituted property has been obtained and evidence that any existing title insurance with respect to the portion of the Project remaining after such substitution is not affected; (iv) the City shall have obtained the Bond Insurer's written consent and unless otherwise expressly waived in writing by the Bond Insurer, prior to any such substitution, the City shall furnish the Bond Insurer with the following: (1) an MAI fair market appraisal demonstrating that the value of the substituted property is at least equal to the portion of the Project released; (2) a Certificate of Authorized Representative of the City, in form and substance acceptable to the Bond Insurer, that the useful life of the substituted property meets or exceeds the remaining term of the Bonds; (3) a Certificate of Authorized Representative of the City, that the essentiality of the substituted property is comparable to that of the portion of the Project released; and (4) evidence that, other than Permitted Encumbrances, no prior liens exist as to the substituted property; and (v) the parties hereto shall amend the Lease to properly reflect such substitution.

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. Such information has not been independently confirmed or verified by the Authority nor the City. Neither the Authority nor the City makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Reference is made to Appendix G for a specimen of the Bond Insurance Policy.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 18, 2014, S&P published a Research Update report in which it upgraded AGM's financial strength rating to "AA" (stable outlook) from "AA-" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On February 10, 2014, Moody's issued a press release stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Capitalization of AGM

At March 31, 2014, AGM's policyholders' surplus and contingency reserve were approximately $3,621 million and its net unearned premium reserve was approximately $1,869 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, of AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd., and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; after giving effect to certain intercompany eliminations; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

THE MEASURE H REVENUES

On June 8, 2010, City voters were asked to consider Measure H at a general municipal election. Measure H imposes a transactions and use tax at the rate of 0.50% for 20 years, which will expire in 2030. The proceeds of the tax are deposited into the City's General Fund to provide for general city

services, including fire protection and paramedics, police protection and crime prevention, street repair and maintenance, and avoiding closure of recreation programs, parks and libraries. A committee known as the "2010 General Tax Citizen Oversight Advisory Committee" was established, consisting of 5 members, each appointed by a councilmember to serve for a term corresponding with the appointing councilmember's term of office. The 2010 General Tax Citizen Oversight Advisory Committee oversees, recommends and reports to the City Council on the expenditure of the Measure H tax.

The following table shows the City's Measure H tax revenues for Fiscal Year 2010-11 through Fiscal Year 2013-14.

CITY OF CALEXICO
Measure H Sales Tax Revenues
(Fiscal Years 2010-11 through 2013-14)

Fiscal Year	Measure H Sales Tax Revenues
2010-11	$1,345,409
2011-12	2,237,723
2012-13	2,036,776
2013-14[(1)]	2,300,000

[(1)] Projected revenues.

THE CITY

General

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. 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."

Budgeting

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriates to the various City departments. The City Council may amend the budget by motion during each fiscal year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council; hence, they legally are one year contracts with an option to review for another fiscal year. Budget accounts reported for the governmental funds of the City are adopted on a basis consistent with GAAP in the United States. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities. The commitments will be re-appropriated and honored in the subsequent year.

The original budgeted General Fund revenue for 2013 ended at $15,376,659 which is the original adopted and final. The actual came in $117,445 under the final budget. There were no budget adjustments during the course of the fiscal year. Differences between the final budget and the actual expenditures were favorable except for the general government department. Administration was $451,906 over budget. Overall the General Fund expenditures came in under the budget by $2,028,598. Although these funds have been designated by Council approval, they have not been legally committed and therefore are reflected as part of the unreserved funds.

Cash & Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City's cash, cash equivalents, and investments consisted of the following at June 30, 2012 and June 30, 2013:

	As of June 30, 2012	As of June 30, 2013
Cash and cash equivalents:		
Petty Cash	$ 3,600	$ 3,850
Demand Deposits	7,091,291	6,728,219
Total cash and cash equivalents	**$7,094,891**	**$6,732,069**
Investments:		
Federal Agency Securities	$20,052,211	$20,012,825
Local Area Investment Fund (LAIF)	--	870
Money Market Funds	56,389,190	23,966,841
Total Investments	**$76,441,401**	**$43,980,536**
Total cash and investments	**$83,536,292**	**$50,712,605**

City Financials

Pun & McGeady LLP, Certified Public Accountants, San Diego, California, audited the financial statements of the City for the Fiscal Year ended June 30, 2013. The firm's examination was made in accordance with generally accepted auditing standards. See "APPENDIX E – City of Calexico Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013 (Excerpts)." The complete audited financial statements of the City for the Fiscal Year ended June 30, 2013 may be obtained from the Finance Director of the City. The City has not requested nor did the City obtain permission from the auditors to include the audited financial statements as an appendix to this Official Statement. Accordingly, the auditors have not performed any post-audit review of the financial condition or operations of the City.

CITY OF CALEXICO
Statement of Revenues, Expenditures,
And Changes in Fund Balances
General Fund
(Fiscal Years ended June 30, 2011 through June 30, 2013)

	June 30, 2011	June 30, 2012	June 30, 2013
Revenues:			
Taxes	$10,354,915	$10,567,868	$10,728,990
Licenses, permits and fees	789,164	1,914,577	676,233
Intergovernmental	541,479	629,754	1,074,146
Charges for services	6,503,793	695,189	1,536,472
Fines and forfeitures	381,930	279,240	237,108
Use of money and property	22,362	347,764	227,978
Other Revenues	319,127	208,618	778,287
Total Revenues	**$18,912,770**	**$14,643,010**	**$15,259,214**
Expenditures:			
General government	$2,187,179	$ 2,278,725	$3,588,021
Public safety	11,862,666	9,302,751	9,720,917
Public works	1,075,707	550,074	1,643,152
Culture and recreation	1,078,042	1,154,696	951,389
Community development	--	844,529	--
Capital outlay	254,626	--	36,077
Debt service: Principal	115,000	--	--
Total Expenditures	**$16,573,220**	**$14,130,775**	**$15,939,556**
Revenues Over (Under) Expenditures	**$2,339,550**	**$512,235**	**$(680,342)**
Transfers in	$493,926	$3,077,078	$972,546
Transfers out	(25,853)	(1,690,365)	(120,721)
Total Other Financing Sources (Uses)	**$468,073**	**$1,386,713**	**$851,825**
Net Change in Fund Balances	**$2,807,623**	**$1,898,948**	**$171,483**
Fund Balances, Beginning of Fiscal Year	$1,190,530	$3,998,153	$5,897,101
Prior Period Adjustment	--	--	762,646
Fund Balances, End of Fiscal Year	**$3,998,153**	**$5,897,101**	**$6,831,230**

Debt Administration

The City uses a variety of tax increment, revenue, and lease indebtedness to finance various capital acquisitions. At June 30, 2013, the City's long-term debt outstanding was $47,794,372. This equates to a $4,153,957 increase in outstanding debt from June 30, 2012.

Defined Benefit Pension Plan

The City contributes to the California Public Employees' Retirement Systems (PERS), an agent multiple-employer public employee defined benefit pension plan. The City pays both the employee and employer contributions for active members. Active members are required by State statute to contribute 7% if a Miscellaneous member, and 9% if a Safety member, of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The City's employer required contribution rate was 5.728% for Miscellaneous employees and 27.103% for Safety employees for the fiscal year ending June 30, 2013. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining units.

For the year ended June 30, 2013, the City's annual pension cost of $1,543,313 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and current service unfunded liability into a single initial unfunded liability. The amortization period at June 30, 2010 was 30 years for miscellaneous employees and 15 years for safety employees for the prior and current service unfunded liability.

Risk Management

The City is a member of the California Joint Powers Insurance Authority (CJPIA) and obtains its insurance from the CJPIA. The CJPIA is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California government code section 6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other lines of coverage.

The CJPIA pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of a coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and prefunded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding can be found in "APPENDIX E – City of Calexico Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013 (Excerpts)."

CITY OF CALEXICO
Balance Sheet
General Fund
Fiscal Years ended June 30, 2011 through June 30, 2013

	June 30, 2011	June 30, 2012	June 30, 2013
Assets:			
Cash and investments	$3,063,792	$4,515,004	$5,313,325
Receivables:			
Accounts	1,728,294	957,903	120,903
Interest	535	42,750	--
Taxes	--	--	912,633
Due from other funds	505,207	1,612,060	1,154,653
Due from fiduciary funds	--	25	--
Inventories	6,899	14,006	2,449
Prepaid items	4,238	3,848	375
Total Assets	**$5,308,965**	**$7,145,596**	**$7,504,338**
Liabilities:			
Accounts payable and accrued liabilities	$1,186,618	$1,171,328	$590,211
Due to other funds	32,645	--	--
Deposits payable	91,549	77,167	82,897
Total Liabilities	**$1,310,812**	**$1,248,495**	**$673,108**
Fund Balances:			
Non-spendable	$11,137	$17,854	$2,824
Restricted	--	2,065,079	2,036,776
Assigned	--	2,059,397	--
Unrestricted (deficit)	3,987,016	1,754,771	4,791,630
Total Fund Balances	**$3,998,153**	**$5,897,101**	**$6,831,230**
Total Liabilities and Fund Balances	**$5,308,965**	**$7,145,596**	**$7,504,338**

RISK FACTORS

The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Future Financial Condition

No representation is made as to the future financial condition of the City. Payment of the Lease Payments is a general fund obligation of the City and the ability of the City to make Lease Payments may be adversely affected by its financial condition as of any particular time.

Limited Obligation of the City

The obligation of the City to pay the Lease Payments and the Additional Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments does not constitute a debt or indebtedness of the City, the Authority, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Notwithstanding the above and although the City has not pledged the Measure H Revenues, the City intends to use the Measure H Revenues to make Lease Payments; provided, however, because the Measure H Revenues may be repealed by a vote of the people, no representation or assurance can be made regarding its availability in the future; moreover, no representation or assurance can be given that the Measure H Revenues will be generated in amounts sufficient to make payments under the Lease, and, indirectly, the principal, premium, if any, and interest on the Bonds when due. Furthermore, no representation is made as to the future financial condition of the City, or as to the City's ability or intent to make up any shortfall in the Measure H Revenues.

Budget and Appropriation of Lease Payments

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease to pay Lease Payments from any source of legally available funds and the City has covenanted in the Lease that, for as long as the Bonds are outstanding, it will make the necessary annual appropriations within its budgets for all Lease Payments. In addition, the City intends to use the Measure H Revenues, if available, as its primary source of Lease Payments. The City is currently liable on other obligations payable from general fund revenues. See "THE CITY—Debt Administration," "THE MEASURE H REVENUES" and "APPENDIX A—Supplemental Information—The City of Calexico—Statement of Direct and Overlapping Debt" herein.

In addition, the City has the capability to enter into other obligations which may constitute additional charges against its general fund revenues. In the event that the amounts which the City is obligated to pay in a Fiscal Year exceed the City's revenues for such year, the City could choose to fund other services and obligations before making Lease Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. See "LIMITATIONS ON REVENUES AND APPROPRIATIONS—Appropriations Limitations:—Article XIIIB" herein.

Abatement of Lease Payments and Additional Payments

The obligation of the City under the Lease to pay Lease Payments and Additional Payments is in consideration for the use and possession of the Project. Except to the extent of (i) amounts held by the Trustee in the Lease Payment Account or in the Reserve Account, (ii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Lease or to the Trustee for payments in respect of the Bonds, and (iii) amounts available from the Measure H Revenues, the obligation of the City to pay Lease Payments and Additional Payments due under the Lease shall be abated in accordance with the Lease during any period in which, by reason of material damage or destruction to, or condemnation of, the Project or any portion thereof, or defects in title to the Project, there is substantial interference with the use and possession by the City of all or such portion of the Project. The Lease provides that the amount of abatement will be such that the resulting rental payments in any Bond Year during which such interference continues, excluding any amounts described in clauses (i), (ii) or (iii) above, do not exceed the fair rental value of the portions of the Project as to which such damage, destruction, condemnation or title defects do not substantially interfere with the City's use and possession, as evidenced by a certificate of a City representative. Such abatement will continue for the period commencing with the date of such interference and ending with the restoration of the Project to tenantable condition. Except as provided in

the Lease, in the event of such damage, destruction or taking, the Lease shall continue in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage, destruction or taking.

Such reduced or abated Lease Payments and Additional Payments, together with other moneys legally available to the Trustee, including moneys from the Reserve Account and rental interruption insurance, may not be sufficient to pay principal and interest with respect to the Bonds in the amounts and at the rates set forth therein. In such an event, all Bond Owners would forfeit a pro rata portion of interest attributable to abated Lease Payments payable during the period of abatement and, to the extent Bonds mature or are required to be prepaid during a period of abatement, such Owners would forfeit a pro rata portion of principal attributable to such abated Lease Payments. The failure to make such payments of principal and interest would not under such circumstances constitute a default under the Trust Agreement, the Lease or the Bonds.

Natural Calamities; Earthquakes; Fire Hazard Zone Designation

From time to time, the City is subject to natural calamities that may adversely affect economic activity in the City which therefore may have a negative impact on City finances. The occurrence of any natural calamity, including but not limited to an earthquake, uncontrolled fire or a major flood, may result in the substantial interference with the use and occupancy of the Leased Property, which could result in Lease Payments being subject to abatement. Under such circumstances, no assurance can be given that the City would have insurance or other resources available to make repairs to the Leased Property or to make Lease Payments under the Lease.

The City, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. There are several fault lines in the surrounding regions and if a large enough earthquake were to occur, they could possibly affect the City. The casualty and liability insurance may not cover losses due to earthquake damage. The City is not required to maintain earthquake insurance under the Lease. Rental interruption insurance will not cover interruption of Lease Payments due to an earthquake.

Limitations of Remedies and Bankruptcy

The enforcement of any remedies provided in the Lease and Trust Agreement could prove both expensive and time consuming. In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease and neither the Authority nor the Trustee is empowered to sell a fee simple interest in the Project and use the proceeds of such sale to redeem the Bonds or pay debt service thereon. Although the Lease provides that if the City defaults the Authority may reenter the Project and re-let it, portions of the Project may not be easily recoverable, and even if recovered, could be of little value to others because of the Project's specialized nature.

Alternatively, the Authority may terminate the Lease and proceed against the City to recover damages pursuant to the Lease. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

In addition to the limitations on remedies contained in the Lease and the Trust Agreement, the rights and remedies provided in the Trust Agreement and the Lease may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. If the City were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondowners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease and from taking any steps to collect amounts due from the City under the Lease.

All legal opinions rendered upon the delivery of the Bonds as to the enforceability of the Lease and the Trust Agreement will be expressly subject to a qualification that enforcement of such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally, by limitations on remedies against cities in California and by applicable principles of equity if equitable remedies are sought.

Insurance

The Lease obligates the City to obtain and keep in force various forms of insurance, to assure repair or replacement of the Project in the event of damage or destruction to the Project (see "SECURITY FOR THE BONDS – Insurance; Condemnation" herein). The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy required to be procured and maintained by the Lease. Certain risks, such as damage from earthquakes, may not be covered by such property insurance.

In the event the Project is partially or completely damaged or destroyed due to any uninsured or underinsured event, it is likely that Lease Payments will be partially or completely abated. Apart from the Proceeds of Insurance, the City will have no obligation to expend any funds to repair or replace such damaged or destroyed property. If any property so damaged or destroyed is not repaired or replaced within the period during which the amounts in the Reserve Account are available, any such abatement could prevent the City from making timely Lease Payments.

Limited Recourse on Default

If the City defaults on its obligations to make Lease Payments with respect to the Project or any portion thereof, the Trustee may have limited ability to re-let the Project or portions of the Project to provide a source of payments sufficient to meet principal and interest payments with respect to the Bonds and preserve the tax-exempt nature of the interest of the Bonds. No assurance can be given that the Trustee will be able to re-let the Project or portions thereof so as to provide Lease Payments sufficient to pay principal and interest with respect to the Bonds in a timely manner. In the event of a default, there is no remedy of acceleration of the total Lease Payments due under the Trust Agreement.

Other Limitations on Liability

Except as expressly provided in the Trust Agreement, the Authority shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

The enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the City, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the policy powers inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Legislative Changes

Legislative action could have an adverse affect on the City's revenues. For example, the method of apportioning Motor Vehicle License Fees among the State's cities and counties is established by statute and could be amended by future legislation. Although the City is not aware of any proposal to amend the applicable statute, it can provide no assurance that such legislation, or other legislation which could reduce revenues, will not be enacted in the future.

State Finances

The State of California has experienced in the recent past significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. As discussed in further detail under the caption "STATE OF CALIFORNIA BUDGET," the State's 2013-14 budget contains a number of measures which impact the City's finances.

Future Initiative and Legislation

As discussed under "LIMITATIONS ON REVENUES AND APPROPRIATIONS," the State's Constitutional initiative process has resulted in the adoption of measures which pose certain limits on the ability of cities and local agencies to generate revenues, through property taxes or otherwise. From time to time, other initiative measures could be adopted, affecting the City's ability to generate revenues and to increase appropriations. No assurances can be given as to the potential impact of any future initiative or legislation on the finances and operations of the City.

Investment of Funds

The Reserve Account and all other funds held under the Trust Agreement are required to be invested in Investment Securities as provided under the Trust Agreement. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." All investments, including Investment Securities, authorized by law from time to time for investments by the Authority contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement could have a material adverse effect on the security for the Bonds.

Loss of Tax Exemption

Compliance by the Authority. In order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Authority has covenanted to comply with the applicable requirements of Section 148 and certain other sections of the Internal Revenue Code of 1986, as amended, relative to arbitrage and avoidance of characterization as private activity bonds, among other things. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the Authority in violation of these covenants. See "CONCLUDING INFORMATION – Tax Exemption" herein.

Future Legislation or Court Decisions. Legislation affecting the tax exemption of interest on the Bonds may be considered by the United States Congress and the California state legislature. Federal and state court proceedings and the outcome of such proceedings could also affect the tax exemption of interest on the Bonds. No assurance can be given that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax exemption of interest on the Bonds or the market value of the 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 such 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 then prevailing circumstances. Such prices could be substantially different from the original purchase price.

LIMITATIONS ON REVENUES AND APPROPRIATIONS

There are a number of provisions in the State Constitution that limit the ability of the City to raise and expend revenues. Contained below is a description of some of these limitations. In addition to the ones discussed in this section below, other initiative measures could be adopted from time to time further affecting the City's revenues and finances.

Property Tax Limitations - Article XIIIA

California voters, on June 6, 1978, approved an amendment (commonly referred to as "Proposition 13" or the "Jarvis-Gann Initiative") to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors.

Article XIIIA further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative that exempts from the one percent limitation any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property. On December 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (Amador Valley Joint Union School District v. State Board of Equalization).

In the general election held on November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIIIA. Proposition 58 amended Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, 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. Proposition 60 amended Article XIIIA to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, 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 certain other minor or technical ways.

Article XIIIA Implementing Legislation

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based on their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25 percent of market value, which was expressed as $4 per $100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. Unless otherwise noted, all taxable property value included in this Official Statement (unless noted differently) is shown at 100 percent of market value and all tax rates reflect the $1 per $100 of taxable value.

Challenges to Article XIIIA

California trial and appellate courts have upheld the constitutionality of Article XIIIA's assessment rules in three significant cases. The United States Supreme Court, in an appeal to one of these cases, upheld the constitutionality of Article XIIIA's tax assessment system. The City cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the City's receipt of property tax revenues should a future decision hold unconstitutional the method of assessing property.

Appropriations Limitations: Article XIIIB

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. Article XIIIB limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually 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. Revenues received in excess of the appropriations limit must be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Propositions 218 and 26: Article XIIIC and Article XIIID

On November 5, 1996, California voters approved Proposition 218, "the Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California Constitution, providing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges.

The general financial condition of the City may be affected by provisions of Article XIIIC and Article XIIID. In particular, provisions of Article XIIIC (i) require taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into the General Fund, to be approved by two-thirds vote, (ii) require any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31, 1994, to be approved by

majority vote on November 5, 1998 and (iii) provide that all taxes, assessments, fees and charges to reduction or repeal at any time through the initiative process, subject to overriding constitutional principles relating to the impairment of contracts. Provisions of Article XIIID that affect the ability of the City to fund certain services or programs that it may be required or choose to fund include (ii) adding notice, hearing, protest and, in some cases, voter approval requirements to impose, increase or extend certain assessments, fees and charges and (ii) adding stricter requirements for finding individualized benefits associated with such levies.

On November 2, 2010, California voters approved Proposition 26, the "Supermajority Vote to Pass New Taxes and Fees Act." Relevant to local governments, Proposition 26 amended Article XIIIC of the California Constitution by adding an expansive definition for the term "tax," which previously was not defined under the California Constitution. As a result, Proposition 26 requires a local government to obtain two-thirds voter approval for many fees, charges and levies that a local government was previously authorized to adopt by a majority vote of its legislative body. Specifically, Proposition 26 defines a "tax" as any levy, charge, or exaction of any kind imposed by a local government except those enumerated in seven specified exceptions, as follows:

(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.

(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.

(3) A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.

(4) A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property.

(5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law.

(6) A charge imposed as a condition of property development.

(7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

In the event that the City cannot properly impose a charge, which constitutes a "tax" pursuant to Article XIII, the City would have to choose whether to reduce or eliminate the services financed by such tax or to finance such services from its General Fund. The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the provisions of Proposition 218 or the possible effects of Propositions 218 or 26. Interim rulings, final decisions, legislative proposals and legislative enactments affecting Propositions 218 and 26 may impact the City's ability to make Lease Payments. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity related to these issues.

Proposition 62

On November 4, 1986, California voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a "general tax") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "special tax") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in Los Angeles County Local Transportation Authority v. Guardino, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. The City does not believe any of the taxes constituting City revenues are levied in violation of Proposition 62.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102 percent of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102 percent of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

STATE OF CALIFORNIA BUDGET

The following information concerning the State's budget has been obtained from publicly available information which the Authority and the City believe to be reliable; however, none of the

Authority, the City, or the Underwriters can take responsibility as to the accuracy or completeness thereof and have not independently verified such information.

2013-14 State Budget

The Governor signed the fiscal year 2013-14 State budget (the "2013-14 State Budget") on June 27, 2013. The 2013-14 State Budget represents a multiyear plan that maintains a $1.1 billion reserve and pays down certain budgetary debt. The 2013-14 State Budget provides for $97.1 billion in revenues and transfers for fiscal year 2013-14 (down slightly from the $98.2 billion estimated for fiscal year 2012-13), and $96.3 billion in total expenditures for fiscal year 2013-14 (up slightly from the $95.7 billion estimates for fiscal year 2012-13). However, unlike recent years, the State enters fiscal year 2013-14 with a positive prior year general fund balance, approximately $872 million, as compared to a negative general fund balance of $1.7 billion at the start of fiscal year 2012-13. The 2013-14 State Budget, accordingly, is able to set aside a $1.1 billion reserve in a special fund for economic uncertainties.

The 2013-14 State Budget projects that budgetary debt, which was approximately $35 billion at the end of fiscal year 2010-11 and $27 billion at the end of fiscal year 2012-13, will be reduced to less than $5 billion by the end of fiscal year 2016-17. Although the 2013-14 State Budget is a balanced budget, the 2013-14 State Budget notes that substantial risks, uncertainties and liabilities remain, including the pace of the economic recovery, the State's needs to address its other significant liabilities and the federal budget for federal fiscal year 2014.

With the passage of Proposition 30, The Schools and Local Public Safety Protection Act ("Proposition 30"), the 2013-14 State Budget reinvests in, rather than cuts, education funding. Proposition 30 increased the personal income tax rates on the State's highest income taxpayers by up to three percent for a period of seven years beginning with the 2012 tax year, and increased the sales tax by one-quarter percent for a period of four years beginning on January 1, 2013.

Proposed 2014-15 State Budget

The Governor released his proposed fiscal year 2014-15 State budget (the "Proposed 2014-15 State Budget") on January 10, 2014. The Proposed 2014-15 State Budget proposes a multiyear plan that is balanced, while paying off budgetary debt from past years and setting aside reserves. The Proposed 2014-15 State Budget projects general fund revenues in the amount of $100.1 billion in fiscal year 2013-14 and $106.1 billion in fiscal year 2014-15, which is an additional $3 billion and $1.6 billion in revenues in fiscal years 2013-14 and 2014-15, respectively, as compared to projections from the 2013-14 State Budget. According to the Proposed 2014-15 State Budget, the primary reason for such additional revenues is the increased level of capital gains realizations for 2013 and 2014 and, accordingly, higher forecasts for personal income tax. Of the total State general fund revenues for fiscal year 2014-15, personal income taxes are expected to contribute 569.8 billion (65.8%), sales and use taxes are expected to contribute $24.1 billion (22.7%) and corporation taxes are expected to contribute $8.7 billion (8.2%). Under the Proposed 2014-15 State Budget, general fund expenditures for fiscal year 2014-15 are $106.8 billion (an increase of $8.3 billion from fiscal year 2013-14 general fund expenditures), of which $45.3 billion (42.4%) is allocated to K-12 education.

The Proposed 2014-15 State Budget proposes to reduce budgetary debt (totaling $24.9 billion at the end of fiscal year 2013-14) by more than $11 billion in fiscal year 2014-15 (which includes the payment of more than $6 billion to eliminate the remaining deferred payments to school districts and community college districts), and to fully eliminate all budgetary debt by fiscal year 2017-18. Additionally, the Proposed 2014-15 State Budget sets aside $2.3 billion in reserves, consisting of $1.6 billion in a rainy day fund (the "Rainy Day Fund") and $693 million in the general fund traditional reserve. Such amount is $700 million below the revised reserve level at the end of fiscal year 2013-14. The Proposed 2014-15 State Budget also proposes to the voters certain constitutional amendments

relating to the Rainy Day Fund, which amendments are intended to increase the size of the Rainy Day Fund, base deposits on capital gains revenues, create a Proposition 98 reserve and require certain deposits therein, limit withdrawals and allow amounts otherwise required to be transferred to the Rainy Day Fund to be applied to pay down various budgetary liabilities. Despite the recent budgetary improvements as compared to recent years, the Proposed 2014-15 State Budget acknowledges that the additional tax revenues from capital gains are temporary in nature and that the additional revenues from Proposition 30 will expire in 2016 and 2018. Further, the Proposed 2014-15 State Budget observes several risks that the State should plan for, including: the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government, the budget's heavy dependency on the performance of the stock market in fiscal year 2014-15, the high levels of State debts and liabilities, including unfunded retirement liabilities, and ongoing court involvement relating to the State's prisons and dissolved redevelopment agencies.

LAO Overview of Proposed 2014-15 State Budget

The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the Proposed 2014-15 State Budget entitled "The 2014-15 Budget: Overview of the Governor's Budget" on January 14, 2014 (the "2014-15 Proposed Budget Overview"), in which the LAO acknowledges that the State has made substantial progress in recent years in addressing its prior budgetary problems. The LAO notes that such progress has been facilitated by the recovering economy, the stock market, increased revenues from temporary taxes of Proposition 30, and the State Legislature's recent decisions to make few new non-Proposition 98 spending commitments. Further, the LAO commends the Proposed 2014-15 State Budget's emphasis on debt repayment, which the LAO expects to place the State on even stronger fiscal footing. Nonetheless, the LAO is not without any suggestions. For example, although the LAO agrees that the State will need to work with school districts and teachers to reach an agreement on a long-term CalSTRS funding plan, the LAO suggests that the State set aside money during fiscal year 2014-15 in anticipation of the adoption of a long term CalSTRS funding plan.

May Revise to Proposed 2014-15 State Budget

The May Revision to the Proposed 2014-15 State Budget (the "May Revision") was released by the Governor on May 13, 2014 and reflects certain changes in the national and State economic outlook, the corresponding effects on revenues and the State's obligation to schools, increased costs for implementing federal health care reform and other spending adjustments. The May Revision reflects more than $2 billion in added costs over and above the Proposed 2014-15 State Budget, including higher spending to provide health care coverage under Medi-Cal for a million more people. Certain details of these key proposals include:

- A net increase of $2.4 billion in expected revenues during Fiscal Years 2012-13 and 2014-15, largely driven by higher than expected personal income tax withholding, partnership income, and dividend income.

- Due to changes in State revenues, lower property taxes, and higher enrollment in K 12 schools, State General Fund costs for the Proposition 98 minimum guarantee for education have increased by $659 million. The May Revision includes $10 billion in new Proposition 98 resources for schools this year, including $4.5 billion to continue the implementation of the Local Control Funding Formula.

- The State's adoption of the optional expansion of Medi-Cal under the Affordable Care Act, the implementation of Federal health care reform and a 46 percent increase in Medi Cal enrollment will bring significantly higher State costs. As a result, General Fund Medi-Cal costs will rise by

$2.4 billion over two years, representing an additional General Fund cost of $1.2 billion compared to what was expected in the Proposed 2014 15 State Budget.

- On February 20, 2014, the California Public Employees' Retirement System Board adopted new assumptions regarding the longer life expectancy of State retirees resulting in $1 billion phased in over three years with a cost in Fiscal Year 2014-15 of $430 million ($254 million General Fund).

- For Fiscal Year 2014-15, the May Revision sets aside $1.6 billion to make the final payment on the State's Economic Recovery Bonds and another $1.6 billion for the State's "Rainy Day Fund."

- The May Revision proposes a plan of shared responsibility among the State, school districts and teachers to shore up the State Teachers' Retirement System ("STRS"). The increased contributions in the first year from all three parties total about $450 million, but would grow thereafter to more than $5 billion annually in Fiscal Year 2020-21.

- The May Revision includes an additional $100 million to repay a portion of existing mandate reimbursement claims that have been owed to local governments since at least 2004.

Rainy Day Fund. On May 8, 2014, the Governor and State legislative leaders announced a constitutional amendment for a Rainy Day Fund that requires both paying down liabilities and saving for a rainy day. Upon voter approval in November, this amendment would take effect for Fiscal Year 2015-16. The key components of the amendment include:

- Making deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8 percent of General Fund tax revenues. In addition, 1.5 percent of annual General Fund will be set aside each year.

- Setting the maximum size of the Rainy Day Fund at 10 percent of revenues. Requiring half of each year's deposits for the next 15 years to be used for supplemental payments to the Wall of Debt or other long-term liabilities. After that time, at least half of each year's deposit would be saved, with the remainder used for supplemental debt payments or savings.

- Withdrawing funds only for a disaster or if spending remains at or below the highest level of spending from the past three years.

- Requiring in the Constitution that the State provide a multiyear budget forecast to help better manage the State's longer term finances.

- Creating a Proposition 98 reserve, whereby spikes in funding would be saved for future years. This reserve would make no changes to the Proposition 98 calculations, and it would not begin to operate until the existing maintenance factor is fully paid off.

Other Local Agencies. Provisions of the May Revision affecting California local agencies, including the County, include the following:

- Medi-Cal — Savings associated with the Medi-Cal expansion (resulting in indigent care costs previously paid by counties shifting to the State) will be redirected to counties for Ca1WORKs expenditures, providing a corresponding General Fund offset. While the May Revision continues to assume a redirection of $300 million in Fiscal Year 2013-14, it decreases the Fiscal Year

2014-15 redirection amount of $900 million to $724.9 million, resulting in increased Ca1WORKs General Fund costs of $175.1 million.

- State Mandate Reimbursements — In connection with the State's postponement of annual payments to local agencies entitled to reimbursement for costs related to new or higher levels of service mandated by the State, the State owes counties, cities, and special districts $900 million in mandate reimbursements for costs incurred prior to 2004 that must be repaid under current law by Fiscal Year 2020-21. To accelerate the repayment of this liability, the May Revision proposes a $100 million payment to local governments for the pre-2004 mandate debt. Approximately 73 percent of the payment will go to counties, 25 percent to cities, and 2 percent to special districts. A local agency will receive a portion of this payment based on the proportion of total pre-2004 mandate debt owed to that local agency.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2013-14 State Budget (the current State budget), the Proposed 2014-15 State Budget, the May Revision and other documents related to the State budget may be found at the website of the State Department of Finance at www.dof.ca.gov. The Legislative Analyst's Office analysis of the Proposed 2014-15 State Budget is posted 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 at the website of the State Treasurer at www.treasurer.ca.gov. None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Authority, the City and the Underwriters can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget

The final fiscal year 2014-15 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the City and the Authority cannot predict the impact that the final fiscal year 2014-15 State budget, or subsequent budgets, will have on its finances and operations.

Future State Budgets

Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by cities and counties in the State. Neither the Authority nor the City can predict the extent of the budgetary problems the State will encounter in this or in any future Fiscal Year, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, neither the Authority nor the City can predict the final outcome of current or future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets are being and will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the Authority and the City have no control.

THE AUTHORITY

The Calexico Financing Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as of December 1, 1990 (the "Joint Powers Agreement") by and between the Successor Agency to the Community Redevelopment Agency of the City of Calexico (as successor in interest to the Community Redevelopment Agency of the City of Calexico) (the "Successor Agency") and the City. Such agreement was entered into pursuant to the provisions of Articles 1, 2 and 4

of Chapter 5 of Division 7 of Title I of the California Government Code (the "Act"). The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. Under the Act, the Authority may purchase bonds issued by any local agency at public or negotiated sale and may sell bonds to public or private purchasers at public or negotiated sale.

The Authority is governed by a five-member board of directors, which consists of the members of the City Council of the City. The Mayor acts as the Chair of the Authority, the City Manager as its Executive Director, the City Clerk as its Secretary and the Finance Director of the City as the Treasurer of the Authority.

Name and Office	Expiration of Term
Bill Hodge, Chair	November 2014
John Moreno, Vice Chair	November 2016
Joong S. Kim, Member	November 2016
Luis J. Castro, Member	November 2016
Maritza Hurtado, Member	November 2014

The Authority, the City, and the Successor Agency are each separate and distinct legal entities, and the debts and obligations of each such entity are not debts or obligations of the other entity. Under the provisions of State law, the Community Redevelopment Agency of the City of Calexico was statutorily dissolved and succeeded by the Successor Agency with respect to the Joint Powers Agreement. The Authority reasonably expects that the due existence of the Successor Agency will continue through at least August 1, 2033, which is later than the last maturity of the Bonds. Nonetheless, under the Trust Agreement, the Authority has covenanted to take or cause to be taken all actions reasonably necessary to continue the Authority's existence until such time as the Bonds are no longer Outstanding under the Trust Agreement, including but not limited to the addition of one or more new members to the Joint Powers Agreement.

CONCLUDING INFORMATION

Ratings

In connection with the issuance and delivery of the Bonds, Standard & Poor's Ratings Group ("Standard & Poor's") is expected to assign its municipal bond rating of "AA" (Stable Outlook) to the Bonds with the understanding that, upon delivery of such Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Standard & Poor's has assigned an underlying municipal rating of "A" on the Bonds.

These ratings reflect the view of Standard & Poor's as to the credit quality of the Bonds. The ratings reflect only the view of Standard & Poor's, and explanation of the significance of the ratings 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 ratings will continue for any given period of time or that they 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 ratings may have an adverse effect on the marketability or market price of the Bonds.

Underwriting

The Bonds have been sold at a net interest cost of 3.7595%. The original purchase price to be paid for the Bonds is $ $12,109,940.25 (representing an aggregate principal amount of $11,200,000.00, plus an original issue premium of $1,010,180.25, less an underwriter's discount of $100,240.00). The underwriter intends to offer the Bonds to the public initially at the yields set forth on the inside cover

page of this Official Statement, which yields 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 the 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.

In reoffering Bonds to the public, the underwriter may overallocate or effect transactions which stabilize or maintain the market prices for Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

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 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 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 the 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 the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of a Bond is excluded from the gross income of such 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 of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Agency, the City and others and is subject to the condition that the Agency comply 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 (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency will each covenant to comply with all such requirements.

The amount by which a Bond 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 Bond 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 Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain

circumstances) than the original cost of the Bond to the 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 other 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 ISSUANCE 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 opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. 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 of interest (and original issue discount) on the Bonds for federal income tax purposes 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 (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Trust Agreement.

The proposed form of Bond Counsel's opinion with respect to the Bonds is attached as APPENDIX D.

Legal Opinion

The opinion of the Bond Counsel firm of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, approving the validity of the Bonds and stating that interest on the Bonds is excludable from gross income under Section 103 of the Code and such interest 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 Authority. Compensation for Bond Counsel's services is contingent upon the sale and delivery of the Bonds.

A copy of such opinion, certified by an officer of the Authority by such officer's facsimile signature, will be printed on the back of each definitive Bond. No charge will be made to the purchaser for such printing or certification.

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 upon for the Authority by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Disclosure Counsel.

Continuing Disclosure

The City has undertaken for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the City and other data by not later than March 31 of each year, commencing March 31, 2015 for the report for the 2013-14 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City or Urban Futures Inc., as the Dissemination Agent on behalf of the City, with the Municipal Securities Rulemaking Board. The notices of material events will be filed by the City, or the Dissemination Agent on behalf of the City, with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX C– FORM OF CONTINUING DISCLOSURE AGREEMENT." This undertaking has been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended.

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 City to comply with the provisions of the Continuing Disclosure Agreement is not an event of default under the Trust Agreement (although the holders and beneficial owners of the Bonds do have remedies at law and in equity). However, a failure to comply with the provisions of the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the

Bonds. Therefore, a failure by the City to comply with the provisions of the Continuing Disclosure Agreement may adversely affect the marketability of the Bonds on the secondary market.

Absence of Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds, the Lease or the Trust Agreement or in any way contesting or affecting the validity of the foregoing or any proceeding of the Authority or the City taken with respect to any of the foregoing.

Legality for Investment in California

Under State law, the Bonds are 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.

Miscellaneous

References are made herein to certain documents and reports which are brief summaries thereof and which do not purport to be complete or definitive. Bondowners and other interested parties must refer to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority and the purchasers or owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

CALEXICO FINANCING AUTHORITY

By: /s/ Andrew Takata
Interim Executive Director

APPENDIX A

SUPPLEMENTAL INFORMATION
THE CITY OF CALEXICO

The following information concerning the City of Calexico ("City") and surrounding areas is included for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, the State of California or any of its political subdivisions and neither the City, said State or any of its political subdivisions is liable therefor.

General Information

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 2010 through 2014.

CITY OF CALEXICO
City, County and State Population Growth
Calendar Years 1980, 1990, 2000, 2010 through 2014[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
2010	40,075	47.83	183,029	28.57	38,648,090	14.10
2011	38,954	-2.80	175,712	-4.00	37,427,946	-3.16
2012	39,533	1.49	179,138	1.94	37,678,563	0.67
2013	40,367	1.40	179,527	0.51	37,984,138	0.80
2014	40,564	0.50	180,672	0.60	38,340,074	0.90

[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 vegetable 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 Teconológico 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 XIIIA 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 XIIIA 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 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 XIIIA of the State Constitution, discussed previously, will have an effect upon future taxable valuation of the City.

CITY OF CALEXICO
TAXABLE VALUATION
(Fiscal Years Ending June 30, 2004 through June 30, 2014)

Fiscal Year Ending June 30	Secured Property Valuation[1]	Unsecured Property Valuation	Less Homeowners Exemption	Net Secured Valuation
2004	$694,682,029	$47,340,197	$20,873,382	$762,895,608
2005	790,071,025	45,551,014	21,891,467	857,513,506
2006	892,832,477	46,483,442	23,107,967	962,423,886
2007	1,115,402,355	52,014,072	24,781,082	1,192,197,509
2008	1,220,076,346	59,801,312	25,629,812	1,305,507,470
2009	1,455,449,206	61,412,763	26,552,099	1,543,414,068
2010	1,546,160,140	71,120,072	26,678,203	1,643,958,415
2011	1,481,620,454	67,535,957	26,570,510	1,575,726,921
2012	1,435,339,986	59,552,243	25,955,833	1,520,848,062
2013	1,323,507,715	53,460,500	24,935,233	1,376,968,215
2014	1,334,015,584	53,023,396	24,528,037	1,362,510,947

[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)

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

Source: Urban Futures, Inc.

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

	Retail Stores		**Total All Outlets**	
Year	**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	1,079	315,968,000	1,308	333,144,000

[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)

	Retail Stores			Total All Outlets		
Year	No. of Permits	Taxable Transactions	Percent Change	No. of Permits	Taxable Transactions	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	2,258	1,482,810	4.8	3,288	2,356,313	8.0

[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 2009 through 2013. These figures are countywide statistics and may not accurately reflect employment trends in the City.

IMPERIAL COUNTY
Annual Average Industrial Employment [1]
Calendar Years 2009 through 2013

Industry	2009	2010	2011	2012	2013
Private, non-farm					
Goods producing:					
Mining, Logging, and Construction	1,300	1,200	1,400	1,500	2,300
Manufacturing – durable goods	600	500	500	500	500
Manufacturing – nondurable goods	1,800	2,100	2,100	2,100	2,000
Service Providing:					
Wholesale trade	1,700	1,600	1,700	1,700	1,800
Retail trade	7,000	6,900	7,000	7,700	8,100
Transportation, warehousing and utilities	1,800	1,800	1,800	1,800	2,000
Information	400	400	400	400	300
Financial activities	1,300	1,300	1,300	1,300	1,400
Professional and business services	2,700	2,400	2,600	2,700	2,800
Educational and health services	7,100	6,800	6,600	6,800	7,500
Leisure and hospitality	3,400	3,300	3,400	3,600	3,900
Other services	800	700	800	800	800
Subtotal	29,900	29,000	29,600	30,900	33,400
Government	18,800	18,500	18,200	17,900	17,700
Farm	7,600	9,100	10,400	10,300	10,200
Total	**56,100**	**56,800**	**57,800**	**59,400**	**61,300**

[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. Not seasonally adjusted.
Source: State of California, Employment Development Department.

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 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

Statement of Direct and Overlapping Bonded Indebtedness

The City's direct and overlapping bonded indebtedness is summarized as follows:

CITY OF CALEXICO

2013-14 Assessed Valuation:$1,387,848,999

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/14
Imperial Community College District	13.250%	$10,208,256
Calexico Unified School District	85.400	23,360,582
City of Calexico Community Facilities District No. 2005-1	100.	13,095,000
City of Calexico Community Facilities District No. 2013-1, I.A. No. 1	100.	7,000,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$53,663,838
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Imperial County Certificates of Participation	12.943%	$ 1,309,832
Imperial County Pension Obligations	12.943	6,239,173
Imperial County Office of Education Certificates of Participation	12.943	34,299
Imperial Community College District General Fund Obligations	13.250	241,813
Calexico Unified School District Certificates of Participation	85.400	2,613,240
City of Calexico General Fund Obligations(1)	**100.**	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$10,438,357
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$37,865,000
COMBINED TOTAL DEBT(2)		$101,967,195

Ratios to 2013-14 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 3.87%
Combined Direct Debt..... - %
Combined Total Debt.....7.35%

Ratio to Redevelopment Incremental Valuation ($527,596,887):
Overlapping Tax Increment Debt 7.18%

(1) Excludes bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics.

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APPENDIX B

SUMMARY OF PROVISIONS OF THE LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Trust Agreement and Lease Agreement not described elsewhere in this Official Statement. This summary does not purport to be complete and is qualified in its entirety by reference to said documents.

DEFINITIONS

Additional Payments shall mean any amounts payable by the City under the terms of the Lease Agreement, other than the Lease Payments.

Alternative Reserve Account Security means one or more letters of credit, surety bond or bond insurance policies, for the benefit of the Trustee in substitution for or in place of all or any portion of the Reserve Requirement.

Annual Debt Service shall mean, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Term Bonds are redeemed from mandatory sinking fund payments as scheduled and (b) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from mandatory sinking fund payments in such Bond Year.

Assignment Agreement means the Assignment Agreement, dated as of the date of the Lease Agreement, by and between the Authority and the Trustee, as described in the Trust Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

Authority shall mean the Calexico Financing Authority, a joint powers authority.

Authorized Representative of the Authority shall mean the Executive Director of the Authority and any person or persons designated by the Executive Director of the Authority and authorized to act on behalf of the Authority as certified by a written certificate signed on behalf of the Authority by the Executive Director of the Authority and containing the specimen signature of each such person.

Authorized Representative of the City shall mean the City Manager, Assistant City Manager or any person or persons designated by the City Manager and authorized to act on behalf of the City by a written certificate signed on behalf of the City by the City Manager and containing the specimen signature of each such person.

Average Annual Debt Service shall mean the amount determined by dividing the sum of all Annual Debt Service amounts due in each of the Bond Years following the date of such calculation by the number of such Bond Years.

Bond or Bonds shall mean any of the Calexico Financing Authority Measure "H" Sales Tax/Lease Revenue Bonds Issue of 2014 issued pursuant to the Trust Agreement.

Bond Counsel shall mean a firm of nationally-recognized attorneys experienced in the issuance of tax-exempt obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bond Purchase Contract shall mean the Bond Purchase Contract among the Authority, the City and Southwest Securities, Inc. relating to the sale of the Bonds.

Bond Year shall mean the twelve month period which commences on April 2 in every year and ends on April 1 of the succeeding year. The first Bond Year shall commence on the Delivery Date and end on April 1, 2015.

Bondowner or Owner of Bonds or Owner shall mean the registered owner of any Bond or Bonds.

Business Day shall mean any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the principal office of the Trustee is located are authorized to close or (ii) a day on which the New York Stock Exchange is closed.

Certificate of Authorized Representative of the Authority shall mean a certificate executed by an Authorized Representative of the Authority.

Certificate of Authorized Representative of the City shall mean a certificate executed by an Authorized Representative of the City.

City shall mean the City of Calexico, a municipal corporation.

Code shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations proposed or in effect with respect thereto.

Computation Year means the period commencing the Delivery Date and ending on the following April 1 and thereafter the twelve (12) month period commencing on April 2 of each year and ending on the following April 1.

Costs of Issuance shall mean all expenses and costs of the Authority or the City incident to the performance of its obligations in connection with the authorization, execution, sale and delivery of the Bonds, including, but not limited to, printing costs, initial Trustee fees and expenses and fees and expenses of its counsel, fees and expenses of consultants and fees and expenses of bond counsel and disclosure counsel to the Authority or the City.

Costs of Project shall mean and be deemed to include, with respect to the Project, whether incurred prior to or after the Delivery Date, the costs, expenses and liabilities paid or incurred or to be paid or incurred by the City, the Authority, or the Trustee, all calculated in accordance with generally accepted accounting principles, in connection with acquisition(s), financing, planning, engineering, design, construction and installation(s) relating to the Project or any portion thereof, and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including but not limited to (a) the costs of acquisition, renovation or construction of real or personal property or any interest therein; (b) any good faith or other similar payment or deposits; (c) the costs of any demolitions or relocation necessary in connection therewith; (d) costs of physical construction and costs incidental to such construction, renovation or acquisition; (e) all costs relating to injury and damage claims; (f) the costs of any indemnity or surety bonds and premiums on insurance, including obligations to a stock, mutual or reciprocal insurance company or exchange; (f) preliminary investigation and development costs; (g) engineering fees, contractors' fees, inspection costs, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee

pursuant to the Trust Agreement, legal fees and expenses, costs of rating agencies or credit ratings, fees for the printing, execution, transportation and safekeeping of the Bonds, and any other fees and expenses of professional consultants; (h) the costs of labor, materials, equipment and utility services and supplies; (i) administrative and general overhead expenses and costs of keeping accounts and making reports required by the Trust Agreement or the Lease Agreement prior to or in connection with the completion of the Project; and (j) all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with the Project prior to or in connection with the completion of the Project. It is intended that this definition of Costs of Project be liberally construed to encompass all costs, expenses and liabilities of the City, the Authority, and the Trustee, which are chargeable to the capital accounts of the Project in according with generally accepted accounting principles. Costs shall be deemed to include the costs and expenses incurred by any agent of the Authority, City and/or Trustee for any of the above mentioned items.

Costs of Issuance Account shall mean the account by that name created pursuant to the Trust Agreement.

Defeasance Securities shall mean the following:

1. Cash

2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- "SLGs"

3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

4. Resolution Funding Corp. (REFCORP). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

5. Pre-refunded municipal bonds rated "AAA" by S&P. If, however, the issue is only rated by S&P, then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre refunded municipals to satisfy this condition.

6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

    a. U.S. Export Import Bank (Eximbank)
    Direct obligations or fully guaranteed certificates of beneficial ownership

    b. Farmers Home Administration (FmHA)
    Certificates of beneficial ownership

    c. Federal Financing Bank

    d. General Services Administration

    e. U.S. Maritime Administration
    Guaranteed Title XI financing

f. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

Delivery Date means the date of the initial execution and delivery of the Bonds.

Depository means (a) initially, DTC, and (b) any other securities depository acting as Depository pursuant to the Trust Agreement.

DTC means The Depository Trust Company, New York, New York, and its successors and assigns.

Events of Default shall mean events of default as set forth in the Lease Agreement.

Excess Investment Earnings Account shall mean the account so designated established pursuant to the Trust Agreement.

Fiscal Year shall mean the twelve month fiscal period of the City which commences on July 1 in every year and ends on June 30 of the succeeding year.

GAAP shall mean general accepted accounting principles.

Insurance Policy or Policy means the insurance policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Bonds when due.

Insurer means Assured Guaranty Municipal Corp., or any successor thereto or assignee thereof.

Interest Payment Date shall mean April 1 and October 1 of each year commencing October 1, 2014.

Investment Securities shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of City funds:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) bonds, debentures, notes or other evidence of indebtedness issued by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: U.S. Export Import Bank direct obligations or fully guaranteed certificates of beneficial ownership, Federal Financing Bank, Farmer's Home Administration, General Service Administration, participation certificate, Federal Housing Administration, certificates of beneficial ownership, Debenture, U.S. Maritime Administration, guaranteed Title XI financing, Government National Mortgage Association, GNMA -guaranteed mortgage backed bonds, GNMA - guaranteed pass through obligations and U.S. Department of Housing and Urban

Development, Project Notes, Local Authority Bonds, New Communities Debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds;

(3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): Federal Home Loan Bank System Senior debt obligations; Federal Home Loan Mortgage Corporation Participation Certificates, Senior debt obligations; Federal National Mortgage Association Mortgage-backed securities and senior debt obligations; Student Loan Marketing Association Senior debt obligations; Resolution Funding Corp. obligations; Farm Credit System Corp. Consolidated system-wide bonds and notes;

(4) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of AAA-m G, AAAm, or AA-m.;

(5) certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral;

(6) certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, (including Trustee) savings and loan association and mutual savings banks which are fully insured by the Federal Deposit Insurance Corporation;

(7) investment agreements, including guaranteed investment contracts;

(8) commercial paper rated at the time of purchase "A-1" by Standard & Poor's;

(9) bonds or notes issued by any state or municipality which are rated by Standard & Poor's in one of the two highest rating categories assigned by such agencies;

(10) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A1" or "A" or better by Standard & Poor's;

(11) repurchase agreements, investment agreements or surety bonds with an entity rated "A" or higher by S&P upon initial execution;

(12) the Local Agency Investment Fund of the State or any state administered pool investment fund in which the issuer is statutorily permitted or required to invest will be deemed a permitted investment; and

(13) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

Lease Agreement shall mean the Lease Agreement, dated as of June 1, 2014, between the Authority, as lessor, and the City, as lessee, and any and all modifications, alterations, amendments and supplements thereto made in accordance with the provisions of the Lease Agreement and the Trust Agreement.

Lease Payments shall mean the amount to be paid by the City for the lease of the Project corresponding to the Lease Payment Date set forth in Exhibit B of the Lease Agreement.

Lease Payment Account shall mean the Lease Payment Account established in the Trust Agreement.

Lease Payment Date shall mean the 15th day of the month preceding each Interest Payment Date (or if the 15th day of the month is not a Business Day, on the next succeeding Business Day).

Lease Term shall mean the period during which the Lease Agreement is in effect as specified in the Lease Agreement.

Maximum Annual Debt Service means, as of the date of any calculation, the maximum amount of principal, interest and mandatory sinking fund deposits required to be paid with respect to the Bonds in the current or any future Bond Year.

Moody's shall mean Moody's Investors Service, a municipal bond rating service with offices in New York, New York.

Net Insurance Proceeds shall mean any insurance or condemnation proceeds paid with respect to the Project and remaining after payment therefrom of all expenses incurred in the collection thereof; and, with respect to insurance, if and at such time as the City elects to provide self-insurance under the Lease Agreement, any moneys paid from any self-insurance fund of the City.

Original Proceeds means proceeds from the sale of the Bonds.

Original Purchaser means the first purchaser of the Bonds upon their delivery by the Trustee.

Outstanding, when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being executed and delivered under the Trust Agreement except:

(a) Bonds canceled or delivered for cancellation by the Trustee on or prior to such date,

(b) Bonds (or portions of Bonds) defeased as provided in the Trust Agreement; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered pursuant to Article III of the Trust Agreement.

Parity Obligations means all bonds, notes, or other similar evidences of indebtedness hereafter issued, payable out of the Lease Payments and which, as provided in the Trust Agreement or any Supplemental Trust Agreement, rank on a parity with the Bonds.

Project means the Capital Improvements as defined in the Lease Agreement.

Project Trust Fund shall mean the fund so designated which is established in the Trust Agreement.

Property or Site means that certain real property more particularly described in Exhibit A of the Lease Agreement.

Project Lease means the Project Lease, dated as of June 1, 2014, between the City, as lessor, and the Authority, as lessee, as amended and supplemented from time to time in accordance with its terms.

Project Trust Fund shall mean the fund established pursuant to the Trust Agreement.

Purchase Option Price means the aggregate amount of the Lease Payments necessary to cause the termination of the Term pursuant to the Lease Agreement.

Rating Agencies shall mean Moody's and S&P, any successors thereto or any other rating service to the extent such rating agencies are maintaining a rating in connection with the Bonds as requested or on behalf of the City.

Rebatable Arbitrage shall have the meaning attributed to such term in the Trust Agreement.

Rebate Regulations shall mean the Treasury Regulations issued under Section 148(f) of the Code.

Record Date shall mean the fifteenth day of the calendar month preceding an Interest Payment Date.

Redemption Account shall mean the Redemption Account established in the Trust Agreement.

Reserve Account shall mean the Reserve Account established in the Trust Agreement.

Reserve Requirement shall mean an amount equal to the lesser of (i) Maximum Annual Debt Service; (ii) 10% of the proceeds of the Bonds; or (iii) 125% of Average Annual Debt Service.

Six-Month Period shall mean the period of time beginning on the Delivery Date and ending six months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds (and any obligations that refund the Bonds).

S&P or Standard & Poor's shall mean Standard & Poor's Ratings Services, a municipal bond rating service with offices in New York, New York.

State shall mean the State of California.

Supplemental Trust Agreement shall mean any agreement supplemental or amendatory of the Trust Agreement.

Tax Certificate shall mean the certificate by that name to be executed by the Authority on the Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

Term Bonds shall mean those Bonds maturing on April 1, 2030.

Trust Agreement shall mean the Trust Agreement relating to the Calexico Financing Authority Measure "H" Sales Tax/Lease Revenue Bonds, Issue of 2014, dated as of June 1, 2014 entered into by and among the City, the Authority and the Trustee and any and all Supplemental Trust Agreements.

Trust Estate shall mean all right, title and interest of the Trustee in and to the Lease Payments, Additional Payments and the Lease Agreement including, without limitation, all amounts from time to time deposited in accordance with the provisions of the Lease Agreement in the accounts and subaccounts created pursuant to the Trust Agreement, including all investments and investment earnings thereon, excluding, however, all moneys deposited or required to be deposited in the Excess Investment Earnings Account.

Trustee shall mean U.S. Bank National Association and its successor or successors which may at any time be substituted in its place pursuant to the provisions of the Trust Agreement.

TRUST AGREEMENT

Establishment and Administration of Funds and Accounts

There is established with the Trustee a special trust fund to be designated as the "Project Trust Fund." The Trustee shall keep the Project Trust Fund separate and apart from all other funds and moneys held by it. Within the Project Trust Fund there are established the following accounts (the "Accounts"): (i) Lease Payment Account, (ii) Reserve Account, (iii) Costs of Issuance Account, (iv) Excess Investment Earnings Account; (v) Project Account; (vi) Redemption Account; and (vii) Insurance and Condemnation Account.

Lease Payment Account

In addition to the moneys required to be deposited in the Lease Payment Account pursuant to the Trust Agreement, all Lease Payments received by the Trustee shall be deposited by the Trustee in the Lease Payment Account immediately upon their receipt. On or about February 1 of each year the Trustee shall give written notice to the Authority of the amount of Lease Payments for the next following Bond Year. The Trustee shall pay from the Lease Payment Account on each Interest Payment Date, the amount required for the interest payable on such date and the amount required for the principal payable, if any, on such date. Such amounts shall be applied by the Trustee on the dates pursuant to the Trust Agreement.

The Trustee shall also transfer to the Redemption Account from the Lease Payment Account any amount available therein to pay principal, premium, if any and the accrued interest on the Bonds redeemed pursuant to the Trust Agreement.

Reserve Account

The Reserve Requirement shall be held by the Trustee in the Reserve Account until the Lease Payments are paid in full pursuant to the terms of the Lease Agreement, or the Bonds have been redeemed with Net Insurance Proceeds in accordance with the Lease Agreement or the City has paid the Purchase Option Price and any related Additional Payments in accordance with the Lease Agreement, or the Trust Agreement is terminated. The Trustee shall apply moneys in the Reserve

Account as provided in the Trust Agreement. The Trustee shall value the investments of monies in the Reserve Account pursuant to the Trust Agreement.

If on any Interest Payment Date the amount in the Lease Payment Account shall be less than the amount required for the interest payable with respect to the Bonds on said date, the Trustee shall withdraw from the Reserve Account and deposit in the Lease Payment Account the amount necessary to make good the deficiency. Any amounts transferred from the Reserve Account pursuant to this paragraph shall not be considered payment in full or in part of any Lease Payment and shall, upon receipt of the delinquent Lease Payment, be repaid from such Lease Payment to the Reserve Account.

If on an Interest Payment Date the amount in the Lease Payment Account shall be less than the amount required for the principal payable with respect to the Bonds on such date, the Trustee shall withdraw from the Reserve Account and deposit in the Lease Payment Account the amount necessary to make good the deficiency. Any amounts transferred from the Reserve Account pursuant to this paragraph shall not be considered payment in full or in part of a Lease Payment and shall, upon receipt of the delinquent Lease Payment, be repaid from such Lease Payment to the Reserve Account.

Whenever the amount in the Reserve Account, together with the amount in the Lease Payment Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms, the funds on deposit in said Reserve Account shall be transferred to the Lease Payment Account and applied to the payment of Bonds. Any provision of the Trust Agreement to the contrary notwithstanding, so long as there shall be held in the Lease Payment Account an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms, no deposits shall be required to be made into the Reserve Account.

Moneys in the Reserve Account shall be used solely for the purpose of:

- making up deficiencies in the Lease Payment Account as provided in the Trust Agreement; or

- making up deficiencies in the Lease Payment Account as provided in the Trust Agreement; or

- providing for the payment of the final Lease Payment in which event the Trustee shall transfer all amounts on deposit in the Reserve Account to the Lease Payment Account to be applied as a credit against said final Lease Payment.

If ten (10) days prior to any Lease Payment Date the amount on deposit in the Reserve Account is less than the Reserve Requirement, the Trustee shall notify the Authority and the City, and the City shall include the amount necessary to meet the Reserve Requirement with its Lease Payment on such Lease Payment Date as an Additional Payment.

The Authority reserves the right to substitute, at any time and from time to time, one or more letters of credit, Alternative Reserve Account Security, bond insurance policies or other form of guarantee from a financial institution the long-term unsecured obligations of which are rated at least A in substitution for or in place of all or any portion of the Reserve Requirement, under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes

thereof. Upon deposit by the Authority with the Trustee of any such letter of credit, surety bond, bond insurance policy or other form of guarantee, the Trustee shall withdraw from the Reserve Fund and transfer to the Authority for deposit in the Lease Payment Account an amount equal to the principal amount of such letter of credit, Alternative Reserve Account Security, bond insurance policy or other form of guarantee. The prior written consent of the Insurer shall be a condition precedent to the deposit of any letter of credit, Alternative Reserve Account Security, bond insurance policy or other form of guarantee provided in lieu of a cash deposit into the Reserve Account. Notwithstanding anything in the Trust Agreement to the contrary, amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on the Bonds.

If and to the extent that the Reserve Fund has been funded with a combination of cash (or Permitted Investments) and an Alternative Reserve Account Security, then all such cash (or Permitted Investments) shall be completely used before any demand is made on such Alternative Reserve Account Security, and replenishment of the Alternative Reserve Account Security shall be made prior to any replenishment of any such cash (or Permitted Investments). If the Reserve Account is funded, in whole or in part, with more than one Alternative Reserve Account Security, then any draws made against such Alternative Reserve Account Security shall be made pro-rata.

Costs of Issuance Account

The Trustee shall deposit to the Costs of Issuance Account the amount required by the Trust Agreement. Moneys on deposit in the Costs of Issuance Account shall be applied to pay Costs of Issuance upon submission of a written request from an Authorized Representative of the Authority to the Trustee stating that the amount is justly due and owing, has not been the subject of any other written request which has been paid by the Trustee and is a proper Costs of Issuance. Any moneys remaining in the Costs of Issuance Account on July 31, 2014 shall, with the consent of the Insurer, be transferred to the Lease Payment Account and the Costs of Issuance Account shall be closed.

Excess Investment Earnings Account

Establishment. A special fund is created and designated the "Excess Investment Earnings Account" which is to be held by the Trustee and in which there shall be established two separate sub-accounts designated the "Rebate Account" and the "Alternative Penalty Account." Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Authority shall cause to be deposited in each such subaccount of the Excess Investment Earnings Account such amounts as are required to be deposited therein pursuant to the Trust Agreement and the Tax Certificate. All money at any time deposited in a Rebate Account or an Alternative Penalty Account shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Excess Investment Earnings Account shall be governed by the Trust Agreement and the Tax Certificate, unless and to the extent that the Authority delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied.

Rebate Account. The following requirements shall be satisfied with respect to the Rebate Account:

(i) Computation. Within 55 days of the end of each fifth Bond Year, the Authority shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). The Authority shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the Trust Agreement. The Trustee may rely conclusively upon the Authority's determination, calculations and certifications required by the Trust Agreement. The Trustee shall have no responsibility to independently make any calculations or determinations or to review the Authority's calculations under the Trust Agreement. The requirement of this paragraph may be waived upon receipt by the Trustee of an opinion of Bond Counsel stating that such waiver will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

(ii) Transfer. Within 55 days of the end of each fifth Bond Year, upon the written direction of an Authorized Representative of the Authority, an amount shall be deposited to the Rebate Account by the Trustee from any revenues legally available for such purpose (as specified by the Authority in the aforesaid written direction), if and to the extent required so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated in accordance with Subsection (i). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the Authority, the Trustee shall withdraw the excess from the Rebate Account and then credit the excess to the Lease Payment Account. The requirement of this paragraph may be waived upon receipt by the Trustee of an opinion of Bond Counsel stating that such waiver will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by an Authorized Representative of the Authority, to the United States Treasury, out of amounts in the Rebate Account,

(A) Not later than 60 days after the end of (1) the fifth Bond Year, and (2) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the Authority shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which

such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the Authority, or shall be made in such other manner as the Authority shall direct.

Alternative Penalty Account

(i) Six-Month Computation. If the 1½% Penalty has been elected, within 85 days of each particular Six-Month Period, the Authority shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The Authority shall obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each applicable Six-Month Period, upon the written direction of an Authorized Authority Representative, the Trustee shall deposit in the Alternative Penalty Account from any legally available source of funds (as specified by the Authority in the aforesaid written direction), if and to the extent required, so that the balance in the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided above. In the event that immediately following the transfer provided in the previous sentence, the amount then on deposit to the credit of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by below, the Trustee, at the written direction of an Authorized Representative of the Authority, shall withdraw the excess from the Alternative Penalty Account and credit the excess to the Lease Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by an Authorized Representative of the Authority, to the United States Treasury, out of amounts in an Alternative Penalty Account, not later than 90 days after the close of each applicable Six-Month Period the 1½% Penalty, if applicable and payable, computed in accordance with Section l48(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from the Alternative Penalty Account, the amount in such account is not sufficient to make such payment when such payment is due, the Authority shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from any legally available source of funds equal to such deficiency into the Alternative Penalty Account prior to the time such payment is due. Each payment required to be made pursuant to the Trust Agreement shall be made to the Internal Revenue Service, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the Authority or shall be made in such other manner as directed by the Authority.

Disposition of Unexpended Funds. Any funds remaining in the Excess Investment Earnings Account after redemption and payment of the Bonds and the payments described above (whichever is applicable), may be withdrawn by the Authority and utilized in any manner by the Authority.

Survival of Defeasance. Notwithstanding anything in the Trust Agreement to the contrary, the obligation to comply with certain requirements of the Trust Agreement shall survive the defeasance of the Bonds.

Project Account.

On the Delivery Date, the Trustee shall deposit a portion of the sale proceeds of the Bonds into the Project Account pursuant to the Trust Agreement. The Trustee shall disburse or transfer amounts from the Project Account as stated in a requisition signed by an Authorized Representative of the City for the payment of Costs of the Project. Upon receipt of each such requisition, the Trustee shall pay the amount set forth in such requisition as directed by the terms thereof to the extent funds are available in the Project Account.

When the Project, or the portions thereof determined by the City to be financed under the Trust Agreement, have been completed, the Authority shall deliver or shall cause the City to deliver to the Trustee a Certificate of Authorized Representative of the City, stating the fact and date of such completion. Following the delivery of such certificate and upon receipt of a Certificate of Authorized Representative of the City, the Trustee shall, with the consent of the Insurer, transfer amounts then on deposit in the Project Fund to the Lease Payment Account and the Project Account shall be closed.

If the City exercises its option to cause the unexpended amounts in the Project Account to be applied as credits against future Lease Payments as provided in the Lease Agreement, the Trustee shall transfer such unexpended amounts to the Lease Payment Account as a credit against the principal and interest portion of the Lease Payment on the next occurring Lease Payment Date or Dates.

Redemption Account.

The Trustee shall apply moneys in the Redemption Account as provided in the Trust Agreement. Amounts in the Redemption Account shall be applied to the redemption of Bonds. Interest on Bonds so redeemed shall be paid from the Lease Payment Account and all expenses in connection with such redemption shall be paid by the City.

The Trustee shall deposit in the Redemption Account as received, all moneys, if any, paid to it by the City for prepayment of Lease Payments pursuant to the Lease Agreement. Also, in the event of termination of the Lease Term pursuant to the Lease Agreement, the Trustee shall transfer to the Redemption Account, all moneys on hand in the Lease Payment Account. All of said moneys shall be set aside in the Redemption Account for the purpose of redeeming the Bonds in advance of their maturity and shall be applied on or after the date of redemption designated pursuant to the Trust Agreement to the payment of principal, redemption premium, if any, and accrued interest, if any, with respect to the Bonds to be redeemed upon presentation and surrender of such Bonds.

Insurance and Condemnation Account.

Subject to the provisions of the Lease Agreement, the proceeds of insurance, if any, maintained pursuant to the Lease Agreement against physical loss of or damage to the Project or any portion thereof shall be deposited in the Insurance and Condemnation Account immediately upon receipt and applied as provided in the Lease Agreement.

Deposits of Money; Payment Procedure

All moneys required to be held by the Trustee under the provisions of the Trust Agreement shall be deposited with the Trustee. All moneys deposited under the provisions of the Trust Agreement with the Trustee shall be held in trust and applied only in accordance with the provisions of the Trust Agreement, and the Project Trust Fund shall be a trust fund for the purposes thereof.

All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

Investment of Certain Accounts and Subaccounts.

Subject to the requirements of the Trust Agreement, all moneys in the funds, accounts and subaccounts held by the Trustee under the Trust Agreement shall be invested as follows:

(a) Moneys held in the Lease Payment Account and the Reserve Account shall be invested and reinvested by the Trustee pursuant to the Trust Agreement. Moneys held in the Insurance and Condemnation Account may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Account. Moneys in the Redemption Account shall be invested only in obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America and which have a maturity no longer than 30 days. The Trustee shall make all such investments of moneys held by it in accordance with written instructions received from an Authorized Representative of the Authority at least two (2) Business Days in advance of the investment. The Authorized Representative of the Authority may instruct the Trustee in making any investment in any Investment Securities with moneys in any account established under the Trust Agreement, to combine such moneys with moneys in any other account, but solely for purposes of making such investment in such Investment Securities. In the absence of instructions from the Authority, the Trustee shall invest solely in Investment Securities set forth in (4) of the definition thereof and shall provide notice to the Authority of such investment by means of its customary statements; provided, however, the Trustee shall incur no liability for its failure to so notify the Authority. Absent bad faith or willful misconduct on its part, the Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of the Trust Agreement. The Trustee shall have no obligation to pay additional interest or maximize investment income on any funds held by it, and neither the Authority, nor the Bond Owners, shall have any claim of any kind against the Trustee in connection with such investments.

(b) Any income or interest earned by the Lease Payment Account due to the investment thereof shall be retained in the Lease Payment Account and applied as a credit against the Lease Payments due on the next occurring Lease Payment Date and deemed to be the payment of the interest portion thereof.

(c) Any income or interest earned by the Reserve Account due to the investment thereof shall be paid into the Lease Payment Account to the extent that it would cause the amount in the Reserve Account to exceed the Reserve Requirement. Such amount shall be applied as a credit against the Lease Payments due on the next occurring Lease Payment Date and deemed to be the payment of the interest portion thereof.

(d) Nothing in the Trust Agreement shall prevent any Investment Securities acquired as investments of funds held thereunder from being issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

(e) The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of an investment and shall be entitled to its customary fees therefor pursuant to a prior written fee agreement with the Authority and the City.

(f) If at any time after investment therein an investment ceases to meet the criteria set forth in the definition of Investment Securities as determined by a valuation of such investment and such obligation, aggregated with other non-conforming investments, exceeds ten percent (10%) of invested funds, such investment shall be sold or liquidated unless otherwise approved by the Authority.

(g) Investments (except investment agreements) in Trust Agreement funds and accounts and subaccounts shall be valued by the Trustee as frequently as deemed necessary by the Authority, but not less often than semi-annually nor more often than monthly, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored not later than the next succeeding semi-annual valuation date which is at least six months after the valuation date. Investments purchased with funds on deposit in the Reserve Account shall have an average aggregate weighted term to maturity not greater than five years.

The Trustee shall terminate any repurchase agreement upon a failure of the counterparty thereto to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repo securities, liquidate the collateral.

The Trustee shall give notice to any provider of an investment agreement in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid.

The Trustee shall, upon actual knowledge of the withdrawal or suspension of either of the ratings of an investment agreement provider or a drop in the ratings thereon below "A," so notify the Authority and, if so directed by the Authority, shall demand further collateralization of the agreement or liquidation thereof.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City will not receive such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by Trustee under the Trust Agreement. The Trustee may make any investments under the Trust Agreement through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Trust Agreement.

Valuation and Sale of Investments.

Obligations purchased as an investment of moneys in any fund, account or subaccount created under the Trust Agreement shall be deemed at all times to be a part of such fund, account or subaccount and any profit realized from the liquidation of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged to, the computation of net interest earned on the moneys and investments of such fund, account or subaccount.

The value of the above investments shall be determined as provided in "Value" below. "Value," which shall be determined as of the 10th day of April and October of each year unless otherwise directed in writing by the Authority, means that the value of any investments shall be calculated as follows:

(a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest;

(d) as to any investment not specified above: the value thereof established by prior agreement between the Authority, the Trustee and the City; and

(e) alternatively, by any reasonable method used by the Trustee and approved by the City, including without limitation, computer pricing services.

Except as otherwise provided in the Trust Agreement, the Trustee shall sell or present for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Representative of the Authority so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any fund, account or subaccount held by it. In lieu of such sale or presentment for redemption, the Trustee may, in making the payment or transfer from any fund, account or subaccount mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto if such investment obligations shall mature or be collectable at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book entry form. Absent bad faith or willful misconduct on its part, the Trustee shall not be liable or responsible for making or liquidating any such investment in the manner provided above or for any loss resulting from any such investment.

Claims upon Insurance Policy.

If, on the third Business Day prior to an Interest Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal of the Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondowner, whether DTC or its Nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the City with respect to any Bond or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (as such term is defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondowners referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Bondowners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondowners in the same manner as principal and interest payments are to be made on the Bonds under the Trust Agreement. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the City agrees to pay to the Insurer: (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Bond Insurer Advances"); and (ii) interest on such Bond Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate (as such term is defined below) per annum (collectively, the "Bond Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of: (a) the greater of: (1) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%;

and (2) the then applicable highest rate of interest on the Bonds; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The City covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Insurer.

The Insurer shall, to the extent that it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the City to the Insurer under the Trust Agreement, the Lease Agreement or the Project Lease shall survive the discharge or termination thereof.

The City shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with: (i) the administration, enforcement, defense or preservation of any rights or security in the Trust Agreement, the Lease Agreement or the Project Lease; (ii) the pursuit of any remedies under the Trust Agreement, the Lease Agreement or the Project Lease, or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to the Trust Agreement, the Lease Agreement or the Project Lease, whether or not executed or completed; or (iv) any litigation or other dispute in connection with the Trust Agreement, the Lease Agreement or the Project Lease or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Trust Agreement, the Lease Agreement or the Project Lease.

The Insurer shall be entitled to pay principal of or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Insurance Policy), whether or not the Insurer has received a Notice of Nonpayment (as such term is defined in the Insurance Policy) or a claim upon the Insurance Policy.

Trustee to Enforce Lease Agreement.

The Trustee covenants and agrees with the Bondowners, subject to the provisions of the Trust Agreement to exercise the rights assigned to it under the Lease Agreement as assignee of the Authority, and to enforce the Lease Agreement against the City as provided under the Trust Agreement all subject to the provisions of the Trust Agreement.

Notice of Non-Payment.

In the event of delinquency in the payment of Lease Payments due by the City pursuant to the Lease Agreement, the Trustee shall promptly give written notice of the delinquency and the amount thereof to the City.

Assignment of Rights; Events of Default.

Pursuant to the Assignment Agreement, the Authority has transferred, assigned and set over to the Trustee all of the Authority's rights in and to the Lease Agreement (except the Authority's rights to indemnification and payment or reimbursement for any costs or expenses thereunder), including without limitation all of the Authority's right to receive Lease Payments from the City under the Lease Agreement, its right to receive the proceeds of insurance or of an eminent domain award on the Project, its right to sell the Project in the event of default by the City under the Lease Agreement (an "Event of Default"), its right to enforce payment of such Lease Payments when due, or otherwise protect its interests and enforce its rights under the Lease Agreement.

Application of Funds.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Lease Agreement shall be applied by the Trustee in the order following upon presentation of the several 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 costs and expenses of the Trustee and of the Bondowners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys, consultants and counsel and any fees and expenses due or owing the Trustee;

Second, to the payment of the whole amount then owing and unpaid with respect to the Bonds for principal and interest and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment over any other installment of interest, ratably to the aggregate of such principal and interest.

Institution of Legal Proceedings.

If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Bonds as provided in the Lease Agreement.

Non-Waiver.

Nothing in the Trust Agreement or in the Bonds, shall affect or impair the obligation of City to pay or prepay the Lease Payments in accordance with and subject to the terms and provisions of the Lease Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Bondowners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Bondowners to institute suit to enforce and collect such payment and no delay or omission of the Trustee or of any Bondowner of any of the Bonds to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Trust Agreement to the Trustee or to the Bondowner may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bondowner.

Remedies Not Exclusive.

No remedy conferred upon or reserved to the Trustee or the Bondowners in the Trust Agreement is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given thereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings.

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Trust Agreement, whether upon its own discretion or upon the request of the Bondowners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Bonds Outstanding.

Limitation on Bondowners' Right to Sue.

No Bondowner shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Bondowner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Bondowners of at least twenty-five percent (25%) in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted to the Trustee as assignee of the Authority or to institute such action, suit or proceeding in its own name; (c) said Bondowner shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Bondowner of any remedy under the Trust Agreement; it being understood and intended that no one or more Bondowners shall have any right in any manner whatever by such Bondowner's or Bondowners' action to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Bondowners of the Outstanding Bonds.

The right of any Bondowner of any Bond to receive payment of said Bondowner's fractional undivided interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Bondowner, notwithstanding other provisions of the Trust Agreement.

Amendment of Lease Agreement.

The terms of the Lease Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Authority and the City, with the written consent of the Insurer and the Trustee subject to the same conditions as set forth in the Trust Agreement.

Reconstruction; Application of Insurance Proceeds.

If any useful portion of the Project shall be destroyed or is damaged by fire or other casualty, or title to, or the temporary use of, such portion shall be taken under the exercise of the power of eminent domain, the City shall as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair, reconstruction, restoration or replacement thereof, unless it is determined under the provisions of the Lease Agreement that such repair, reconstruction, restoration or replacement is not to be undertaken. The proceeds of any insurance paid on account of such damage or destruction, shall be held by the Trustee in the Insurance and Condemnation Account and made available for, and to the extent necessary be applied to, the cost of such repair, reconstruction, restoration or replacement. Such moneys deposited in the Insurance and Condemnation Account shall be applied and paid out by the Trustee upon written requisition of the City for the purpose of repairing, restoring or replacing the Project. Pending such application, such proceeds shall be invested, upon direction of an Authorized Representative of the City, by the Trustee in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such cost of repair, reconstruction, restoration or replacement. The interest, as well as the gain, if any, on such investments shall remain a part of any such Insurance and Condemnation Account to be applied as provided in the Trust Agreement. The proceeds of any insurance not applied within six months after receipt thereof by Trustee to repairing, reconstructing, restoring or replacing damaged or destroyed property, or in respect of which notice in writing of intention to apply the same to the work of repairing, reconstruction, restoring or replacing the property damaged or destroyed shall not have been given to the Trustee by City within such six months, or which City shall at any time notify the Trustee are not to be so applied, shall be deposited in the Redemption Account and applied to the redemption of Bonds pursuant to the Trust Agreement. After the completion of any repair, reconstruction, restoration, any remaining insurance proceeds shall be deposited in the Redemption Account and applied to the redemption of Bonds pursuant to the Trust Agreement.

Accounts and Reports.

(a) The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to each fund and account established under the Trust Agreement and the principal amount of the Bonds and which shall at all reasonable times upon reasonable prior notice be subject to the inspection of the City and Bondowners.

(b) The Trustee shall provide the City, promptly after the end of each calendar month a statement of its transactions during such month relating to each fund, account or subaccount held by it under the Trust Agreement.

No Obligation by the City to Bondowners.

Except for the payment of Lease Payments when due in accordance with the Lease Agreement and any other payment due and owing by the City under the Lease Agreement and the performance of the other covenants and agreements of the City contained in the Lease Agreement or the Trust Agreement, the City shall have no obligation or liability to any of the other parties or to the Bondowners with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Bonds, or the distribution of Lease Payments to the Bondowners by the Trustee.

No Obligation with Respect to Performance by Trustee.

The City or the Authority shall not have any obligation or liability to any of the other parties or to the Bondowners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

No Liability to Bondowners for Payment.

Except as provided in the Trust Agreement, neither the Trustee nor the Authority shall have any obligation or liability to the Bondowners with respect to the payment of the Lease Payments by the City when due, or with respect to the performance by the City of any other covenant by it in the Lease Agreement.

Tax Covenants.

Notwithstanding any other provision of the Trust Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of interest with respect to the Bonds will not be adversely affected for federal income tax purposes, the Authority and the City covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenant, without limiting the generality of the foregoing, as follows:

1. Private Activity. The Authority will not take or omit to take any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

2. Arbitrage. The Authority and the City will not make any use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

3. Federal Guarantee. The Authority and the City will not make any use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

4. Information Reporting. The Authority and the City will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

5. Hedge Bonds. The Authority and the City will not make any use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take or omit to take any action that would cause the Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the Authority and the City take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes.

6. Miscellaneous. The Authority and the City will not take any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the Authority and the City in connection with the issuance of the Bonds and will comply with the covenants and requirements stated therein.

Continued Existence of the Authority.

The City and the Authority will take or cause to be taken all actions reasonably necessary to continue the Authority's existence until such time as the Bonds are no longer Outstanding under the Trust Agreement, including but not limited to, the addition of one or more new members to the joint powers agreement pursuant to which the Authority was created.

Insurer's Rights.

Anything in the Trust Agreement, the Lease Agreement or the Project Lease to the contrary notwithstanding, so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, upon the occurrence and continuance of an Event of Default, the Insurer shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds are entitled to take pursuant hereto pertaining to: (a) defaults and remedies; and (b) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Trust Agreement and each Bond, the Trustee and each Bondholder appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the City or the Authority under the United State Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Bondholder delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

So long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the Trustee may not waive any Event of Default without the Insurer's prior written consent.

Obligations of Trustee.

Upon receipt of written notice of the termination of the Lease Agreement, the Trustee shall at the written request of the City convey any right, title or interest in the Project created by the Trust Agreement free and clear of all liens thereon which Trustee may have.

Resignation of Trustee.

The Trustee may at any time resign and be discharged of the duties and obligations created by giving not less than 60 day's written notice to the City, the Insurer and the Bondowners, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the City and the Authority or the Bondowners (each with the consent of the Insurer) as provided in the Trust Agreement, in which event such resignation shall take effect immediately on the appointment of such successor; provided that in the event the City and the Authority are unable to appoint a successor on or before the date specified, the resigning Trustee shall continue to serve under the Trust Agreement until a successor is appointed pursuant to the Trust Agreement.

Removal of Trustee.

The Trustee may be removed upon 60 days' written notice by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized.

Appointment of Successor Trustee.

1. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Authority and the City with the consent of the Insurer.

2. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Trust Agreement within 45 days after the Trustee shall have given to the City written notice as provided in the Trust Agreement or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the City or the Trustee may appoint a successor Trustee.

3. Any Trustee appointed under the Trust Agreement in succession to the Trustee shall be a commercial bank or trust company or national banking association, having capital stock and surplus aggregating at least $75,000,000 and authorized to exercise trust powers.

4. Notwithstanding any other provision of the Trust Agreement, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

Merger or Consolidation.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trustee company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by the Trust Agreement, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

Liability of the Trustee.

The recitals statements and representations by the City or the Authority contained in the Trust Agreement or in the Bonds shall be taken and construed as made by and on the part of the City and Authority and not by the Trustee and the Trustee does not assume, and shall not have, any responsibility or obligations for the correctness of any thereof.

The Trustee undertakes to perform such duties, and only such duties as are specifically set forth in the Trust Agreement and no implied duties or obligations shall be read into the Trust Agreement against the Trustee.

No provision in the Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or willful misconduct.

In accepting the trust created by the Trust Agreement, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the City or the Authority having any claim against the Trustee arising from the Trust Agreement shall look only to the funds and Accounts held by the Trustee under the Trust Agreement for payment except as otherwise provided therein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City or the Authority of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease Agreement or the Trust Agreement for the existence, furnishing or use of the Project.

The Trustee shall not be responsible for the sufficiency or enforceability of the Lease Agreement or the assignment under the Trust Agreement of its rights to receive Lease Payments.

The Trustee shall not be deemed to have knowledge of any Event of Default under the Trust Agreement or under the Lease Agreement unless and until it shall have actual knowledge thereof.

The Trustee shall not be accountable for the use or application by the City or the Authority or any other party of any funds which the Trustee has released under the Trust Agreement.

The Trustee shall not be responsible for accounting for, or paying to, any party to this transaction, including but not limited to the City, the Authority, and the Bondowners, any return on or benefit from funds held for payment of unredeemed Bonds or outstanding checks and no calculation of the same shall affect, or result in any offset against, fees due to the Trustee under the Trust Agreement.

The Trustee's rights to immunities and protection from liability under the Trust Agreement and its rights to payment of its fees and expenses shall survive its resignation or removal and the final payment or the defeasance of the Bonds (or the discharge of the Bonds or the defeasance of the lien of the Trust Agreement).

All releases from liability granted in the Trust Agreement to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds except for information provided by the Trustee.

Before taking any action under the Trust Agreement at the request of Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for in the Trust Agreement) in aggregate principal amount of Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee.

The permissive right of the Trustee to do things enumerated in the Trust Agreement shall not be construed as a duty.

The Trustee may execute any of the trusts or powers in the Trust Agreement and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

Powers of Amendment.

The Trust Agreement and the rights and obligations provided may be modified or amended at any time by a Supplemental Trust Agreement, entered into among the Trustee, the Authority and the City but without the consent of any Bondowners, but only (a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Trust Agreement, (b) to insert such provisions clarifying matters or questions arising under the Trust Agreement as are necessary or desirable and are not contrary to or inconsistent therewith as theretofore in effect, or (c) to provide for the authorization, execution and delivery of Parity Obligations; provided that no such amendment shall be, in the opinion of Bond Counsel which may be supported by a certificate of an independent

financial consultant, adverse to the rights of the Bondowners. Any other modification or amendment of the Trust Agreement and of the rights and obligations of the Trustee or of the Owners of the Bonds thereunder, in any particular, may be made by a Supplemental Trust Agreement, entered into among the Trustee, the Authority and the City with the written consent, given as provided in the Trust Agreement, of the Owners of at least sixty percent (60%) in principal amount of the Bonds Outstanding at the time such consent is given, together with the written consent of the Insurer so long as the Insurance Policy is in full force and effect and the Insurer has not defaulted on its obligations thereunder. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal with respect to any Outstanding Bonds or of any installment of interest with respect thereto or a reduction in the principal amount or the redemption price with respect thereto or in the rate of interest with respect thereto or which will have an adverse effect on the security interest of the Owner without the consent of the Owner of such Bond and the Insurer, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without the written assent of the Trustee. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular maturity would be affected by any modification or amendment of the Trust Agreement, and any such determination shall be binding and conclusive on the Authority, the City and all Owners of Bonds. The Trustee shall be furnished an opinion of counsel that any such Supplemental Trust Agreement entered into by the Authority, the City and the Trustee complies with the provisions of the Trust Agreement and the Trustee may conclusively rely upon such opinion. The Authority shall be provided with a full original transcript of all proceedings relating to the execution of any amendatory or Supplemental Trust Agreement or Lease Agreement.

Consent of Bondowners.

The Trustee, the Authority and the City may at any time enter into a Supplemental Trust Agreement making a modification or amendment permitted by the provisions of the Trust Agreement to take effect when and as provided therein. A copy of such Supplemental Trust Agreement (or brief summary thereof), together with a request to Bondowners to approve the same shall be mailed to each Bondowner and the Insurer (but failure to mail such copy and request shall not affect the validity of the Supplemental Trust Agreement when consented to as provided in the Trust Agreement). Such Supplemental Trust Agreement shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Owners of the percentage of Outstanding Bonds and the Insurer, as specified in the Trust Agreement and (b) an opinion of Bond Counsel stating that such Supplemental Trust Agreement has been duly and lawfully entered into by the parties thereto and filed with the City and the Trustee in accordance with the provisions of the Trust Agreement, is authorized or permitted by the Trust Agreement, and is valid and binding upon the parties thereto in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the Owner, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Trust Agreement. The request for consent of Bondowners pursuant to the Trust Agreement may provide a date by which such consents must be received to be effective. A certificate or certificates executed by the Trustee and filed with the City stating that it has examined such proof and that such proof is sufficient in accordance with the Trust Agreement shall be conclusive that the consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and, anything in the Trust Agreement to the contrary notwithstanding, upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice

thereof) unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for is filed. Such revocation and, if such Bonds are held by the signer of such revocation, proof of ownership shall be evidenced in the manner permitted by the Trust Agreement. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the City to the effect that no revocation thereof is on file with the Trustee. At any time after the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the City a written statement that the Owners of such required percentage of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Trust Agreement (which may be referred to as a Supplemental Trust Agreement entered into by the parties thereto on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and will be effective as provided in the Trust Agreement, may be given to Bondowners by the City or the Trustee at the direction of the City, by mailing such notice pursuant to the Trust Agreement to Bondowners (but failure to receive such notice shall not prevent such Supplemental Trust Agreement from becoming effective and binding as provided in the Trust Agreement). The City shall file with the Trustee proof of the mailing of such notice. A record, consisting of the certificates or statements required or permitted by the Trust Agreement to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Trust Agreement making such amendment or modification shall be deemed conclusively binding upon the City, the Trustee, the Authority and the Owners of all Bonds at the expiration of 40 days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Trust Agreement in a legal action or equitable proceeding for such purpose commenced within such 40 day period; provided, however, that the Trustee, the Authority or the City during such 40-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Trust Agreement as they may deem expedient.

Modifications by Unanimous Consent.

The terms and provisions of the Trust Agreement and the rights and obligations of the Trustee and of the Owners of the Bonds thereunder may be modified or amended in any respect upon entering into by the parties thereto of a Supplemental Trust Agreement with the unanimous consent of the Owners of all the Bonds then Outstanding and the consent of the Insurer so long as the Insurance Policy is in full force and effect and the Insurer is not in default thereunder, such consent to be given as provided in the Trust Agreement except that no notice to Bondowners by mailing shall be provided and to the extent any such Supplemental Trust Agreement alters the rights and obligations of the Trustee the Trustee's approval shall be required.

Exclusion of Bonds.

Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Trust Agreement, and the City shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Trust Agreement. At the time of any consent or other action taken under the Trust Agreement, the City shall furnish the Trustee a Certificate of Authorized Representative of the City, upon which the Trustee may rely, describing all Bonds so to be excluded.

Defeasance.

Outstanding Bonds shall be paid and discharged in any one or more of the following ways;

(a) by paying or causing to be paid the principal of and interest with respect to said Outstanding Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee in trust, at or before maturity, cash or direct non-callable obligations of the United States of America (or any combination thereof) or other Investment Securities approved by the Rating Agencies which, together with the amounts then on deposit in the Lease Payment Account and Reserve Account applicable to the Outstanding Bonds to be paid and discharged, is fully sufficient, as shown on a certificate of a nationally recognized certified public accountant or firm of certified public accountants, to pay all Bonds Outstanding, to be paid and discharged, including all principal, interest and premium, if any; or

(c) by depositing with the Trustee, in trust, cash or Investment Securities of the type set forth in part (1) of the definition thereof in such amount, together with the interest to accrue thereon and moneys then on deposit in the Lease Payment Account and Reserve Account applicable to the Outstanding Bonds to be paid together with the interest to accrue with respect thereto, as will be sufficient, as shown on a certificate of a nationally recognized certified public accountant or firm of certified public accountants, to pay and discharge the Outstanding Bonds to be paid and discharged (including all principal, interest and premium, if any) at or before their respective maturity dates.

Notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of Authority, the Trustee and the City under the Trust Agreement with respect to those Bonds paid, as provided in the above subsections (a), (b) or (c), and the trust created by the Trust Agreement shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owner of the Bonds not so surrendered and paid all sums due thereon, to transfer title to the City as provided in the Lease Agreement, and the obligation of City to cause rebates pursuant to the Trust Agreement and the obligation of the Trustee to make transfers and exchanges of Bonds pursuant to the Trust Agreement. Notice of defeasance of the Bonds and the obligations under the Trust Agreement shall be given by the Trustee in the manner provided in the Trust Agreement. The fees and charges of the Trustee (including reasonable counsel fees and expenses) must be paid in order to effect such discharge. The satisfaction and discharge of the Trust Agreement shall be without prejudice of the rights, if any, of the Trustee to charge and be reimbursed by the City for any expenditures which it may thereafter incur in connection therewith.

Any funds held by the Trustee, at the time of one of the events described above in paragraphs (a), (b) or (c), shall have occurred, which are not required for the payment to be made to Owners, or for payments to be made to the Trustee by the City, or for payment to the United States under the Trust Agreement, shall be paid over to the City.

In the event of a refunding, the City shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Bonds in full, and (ii) an opinion of nationally recognized Bond Counsel to the effect that the Bonds are no longer "Outstanding" under the Trust Agreement, each of which shall be addressed to the City, the Trustee and the Authority.

In addition, so long as the Insurance Policy in is full force and effect and the Insurer has not defaulted on its obligations thereunder, the City shall deliver to the Insurer the items set forth in (i) and (ii) of the preceding paragraph, both of which shall be acceptable in form and substance to the Insurer, along with (iii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer) and (iv) a certificate of discharge of the Trustee with respect to the Bonds. The Insurer shall receive drafts of these documents at least five business days prior to the funding of the escrow for the refunding.

Anything in the Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Bonds became due and payable, shall be repaid by the Trustee to the City, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the City for the payment of such Bonds.

Insurer as Third Party beneficiary

The Insurer shall be a third party beneficiary to the Trust Agreement.

LEASE AGREEMENT

Definitions

Capital Improvements means the Capital Improvements approved for funding as set forth in the Lease Agreement.

Measure "H" Revenues means the portion of transactions and use taxes, imposed pursuant to Ordinance No. 111 of the City, as approved by the Voters of the City on June 8, 2010.

Project means the Capital Improvements including the Property.

Agreement of Lease; Term of Lease; Lease Payments

Lease. The Authority leases the Project to the City upon the terms and conditions set forth in the Lease Agreement.

Term. The Term of the Lease Agreement shall commence on the Closing Date and shall end on April 1, 2030, unless extended pursuant to the Lease Agreement, or unless terminated prior thereto upon the earlier of the following events:

(a) Payment of All Lease Payments. The payment by the City of all Lease Payments required and any Additional Payments required under the Lease Agreement; or

(b) Prepayment. The optional prepayment of all Lease Payments in accordance with the Lease Agreement and the payment of all Additional Payments due through such prepayment date.

Extension of Lease Term. If on April 1, 2030 the Bonds or amounts due to the Insurer shall not be fully paid, then the Term shall be extended until all Bonds shall be fully paid, except that the Term shall in no event be extended beyond April 1, 2040.

Lease Payments.

(a) Time and Amount. Subject to the provisions of Article X of the Lease Agreement (regarding prepayment of Lease Payments), the City agrees to pay to the Authority, its successors and assigns, as annual rental for the use and possession of the Project, the Lease Payments (denominated into interest portions and principal portions) to be due and payable in arrears on the days specified in the Lease Agreement or if such a day is not a Business Day then on the next succeeding Business Day (each such day a "Lease Payment Date").

(b) Credits. Any amount held in the Lease Payment Account on any Lease Payment Date (other than amounts required for payment of past due principal or interest with respect to any Bonds that have matured or been called for redemption and have not been presented for payment or amounts which have been paid with respect to a prior Lease Payment Date but not yet distributed to Bond Owners) shall be credited toward the Lease Payment then due and payable. No Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Account (other than those amounts excluded under the prior sentence) are at least equal to the cumulative total of Lease Payments then required to be paid.

(c) Rate on Overdue Payments. In the event the City should fail to make any Lease Payment required by the Lease Agreement, or any portion of any such Lease Payment, the Lease Payment or portion in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable at the highest rate of interest on any Outstanding Bond.

No Withholding. Notwithstanding any dispute between the Authority and the City, the City shall make all Lease Payments when due and shall not withhold any Lease Payment pending the final resolution of such dispute.

Fair Rental Value. The Lease Payments and the Additional Payments shall be paid by the City in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Project during each such period for which said rental is to be paid. The parties to the Lease Agreement have agreed and determined that such total rental to be paid thereunder does not exceed the fair rental value of the Project during the term of the Lease Agreement. In making such determination, consideration has been given to the fair rental value of the Project (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Project and the benefits therefrom which will accrue to the City and the general public.

Budget and Appropriation. The City covenants to take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease Agreement in its proposed annual budget and its final adopted annual budget and to make the necessary appropriations for any amount of Lease Payments and Additional Payments to be paid therefor. The City shall furnish to the Trustee a notification on or before each July 15 if it has not adopted such final annual budget providing for such payments of all Lease Payments and Additional Payments.

The obligation of the City to pay Lease Payments and Additional Payments under the Lease Agreement shall constitute a current expense of the City payable from the general fund of the City or any other legally available funds and shall not in any way be construed to be a debt liability or obligation of the City, or the State, or any political subdivision thereof, in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the City, the State, or any political subdivision thereof, or an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Measure "H" Revenues Fund. As long as the Measure "H" Revenues may be legally collected by the City and for so long as the Lease Payments are due to the Authority under the Lease Agreement, it is the intention of the City to establish a Measure "H" Revenues Fund to be held by the Treasurer or other appropriate financial officer of the City (the "Treasurer"). Not less than one-half of the Measure "H" Revenues shall be deposited with the Treasurer and credited to the Measure "H" Revenues Fund. The Treasurer shall transfer moneys from the Measure "H" Revenues Fund to pay the Lease Payments in accordance with the Lease Agreement. Any Measure "H" Revenues proceeds in excess of the amounts budgeted, as required, for the payment of the Lease Payments shall constitute surplus revenues in the Measure "H" Revenues Fund. After all covenants contained in the Lease Agreement have been duly performed, and provided that there are no amounts then owing to Authority or the Trustee by the City, such surplus revenues may be used for: (1) extensions and betterments of the Project; or (2) any lawful purpose of the City. Notwithstanding anything in the Lease Agreement to the contrary, neither the establishment of the Measure "H" Revenues Fund nor any other provision thereof shall be construed as a pledge of the Measure "H" Revenues or any other general or special fund of the City.

Abatement of Lease Payments and Additional Payments.

(a) Except to the extent of (i) amounts held by the Trustee in the Lease Payment Account or in the Reserve Account, (ii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Lease Agreement or to the Trustee for payments in respect of the Bonds, and (iii) amounts available from the Measure "H" Revenues Fund, the obligation of the City to pay Lease Payments and Additional Payments due under the Lease Agreement shall be abated during any period in which, by reason of material damage or destruction to, or condemnation of, the Project or any portion thereof, or defects in title to the Project, there is substantial interference with the use and possession by the City of all or such portion of the Project.

(b) The amount of abatement will be such that the resulting Lease Payments and Additional Payments during which such interference continues, excluding any amounts described in clauses (i), (ii) or (iii) above, do not exceed the fair rental value of the portions of the Project as to which such damage, destruction, condemnation or title defects does not substantially interfere with the City's use and possession, as evidenced by a certificate of a City representative. Such abatement will continue for the period commencing with the date of such interference and ending with the restoration of the Project to tenantable condition. Except as provided in the Lease Agreement, in the event of such damage, destruction or taking, the Lease Agreement and Additional Payments shall continue in full force and effect, and the City waives any right to terminate the Lease Agreement by virtue of any such damage, destruction or taking.

(c) The City covenants that no additional bonds, notes or obligations shall be issued by the City pursuant to any law of the State which will have any priority in payment of principal or interest out of the portion of the Measure "H" Revenues deposited in the Measure "H" Revenues Fund over the Lease Payments.

Assignment of Lease Payments. Certain of the Authority's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City under the Lease Agreement, have been assigned by the Authority to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the City consents. The Authority directs the City, and the City agrees, to pay to the Trustee at the Trustee's corporate trust office, or to the Trustee at such other place as the Trustee shall direct in writing, all Lease Payments or prepayments thereof payable by the City under the Lease Agreement. The Authority will not assign or pledge the Lease Payments or other amounts derived from the Project or from its other rights under the Lease Agreement except as provided under the terms of the Lease Agreement, or its duties and obligations except as provided under the Trust Agreement.

Use and Possession. The total Lease Payments and Additional Payments due in any Fiscal Year shall be for the use and possession of the Project for such Fiscal Year. During the Term of the Lease Agreement, the City shall be entitled to the exclusive use of the Project subject only to the Permitted Encumbrances.

Additional Payments. In addition to the Lease Payments, the City shall also pay such amounts ("Additional Payments") as shall be required for the payment of all administrative costs of the Authority relating to the Project, including without limitation all expenses including usual and ordinary legal fees and expenses, assessments, compensation and indemnification of the Authority, the Insurer and the Trustee payable by the City, any amounts required to be rebated to the federal government in order to comply with the provisions of Section 148 of the Code, taxes of any sort whatsoever payable by the Authority as a result of its lease of the Project or undertaking of the transactions contemplated in the Lease Agreement or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, insurance premiums required by Article V of the Lease Agreement, items required by the Lease Agreement, amounts required to the paid to the Insurer pursuant to the Trust Agreement, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to comply with the terms of the Bonds or of the Trust Agreement (including but not limited to any Additional Payment required pursuant to the Trust Agreement) or to indemnify the Trustee and its officers and directors. All such Additional Payments to be paid under the Lease Agreement shall be paid when due directly by the City to the respective parties to whom such Additional Payments are owing.

Net-Net-Net Lease. The Lease Agreement shall be deemed and construed to be a "net-net-net lease," and the City agrees that the Lease Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever, except as expressly provided in the Lease Agreement.

Insurance

(a) Liability Insurance. The City shall procure (or cause to be procured) and maintain (or cause to be maintained), throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies, naming as additional insureds the Authority, the Trustee, and their directors, officers, agents and employees, insuring against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the use or operation of the Project, in the form of a combined single limit policy in the minimum amount of $10,000,000. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

(b) Hazard Insurance. The City shall maintain or cause to be maintained, throughout the Term of the Lease, a policy or policies of insurance against loss or damage to the Project resulting from fire, lightning, vandalism, malicious mischief and such perils ordinarily defined as "extended coverage," excluding flood; provided, however, that a flood rider shall be purchased if the City, in its reasonable discretion, determines that such coverage is available from reputable insurers at commercially reasonable rates. Said policy or policies shall be maintained in an amount not less than the full replacement value of the Project, subject to a "deductible clause" not to exceed $100,000 for any one loss or, in the case of a flood rider, 10% of the coverage obtained and shall name the Agency and the Trustee as an additional insured under the policy or policies. The term "full replacement value" as used in the Lease shall mean the actual replacement cost of the Project (including the cost of restoring the surface of the Property, but excluding the cost of restoring trees, plants and shrubs).

(c) Workers Compensation Insurance. The City will at all times comply with the workers' compensation insurance laws of the State of California to the extent applicable to the City.

(d) Self-Insurance. As an alternative to providing the insurance required by the Lease Agreement, the City may provide a self insurance method or plan of protection (but only from a special fund of the City or other source for which the General Fund of the City is not in any fashion obligated nor to which the City is otherwise obligated to make payments), covering one or all of the insurance coverages required to be provided by subsections (a) and (b), so long as (i) such self insurance method or plan of protection shall afford reasonable protection to the Authority and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by counties in the State, (ii) the City shall have provided evidence to the Authority and the Trustee that the City has segregated amounts in a special insurance reserve meeting the requirements of the Lease Agreement, and (iii) in the reasonable opinion of the City's risk manager or a reputable independent insurance consultant, such self-insurance is maintained at an actuarially sound level for the purpose of the Lease Agreement.

(e) Net Proceeds; Form of Policies. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement and shall promptly furnish or cause to be furnished evidence of such payments to the Authority and the Trustee. All such policies shall provide that the Authority and the Trustee shall be given 30 days' notice of each expiration, and any intended cancellation thereof or reduction of the coverage provided thereby. The City shall deliver to the Trustee on or before each anniversary of the Closing Date a certificate that all insurance required under the Lease Agreement is in full force and effect. In the event that the City obtains insurance through a pooled insurance program of governmental entities, an annual statement or memorandum of coverage delivered to the Authority and the Trustee will satisfy the requirements of the Lease Agreement. The Trustee and the Authority shall not be responsible for the sufficiency

of any insurance in the Lease Agreement required or payment of premium and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(f) Advances. If the City shall fail to perform any of its obligations under the Lease Agreement, then the Authority may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money on behalf of the City, and the City shall be obligated to repay all such advances as soon as possible.

The City shall provide adequate reserves to cover the amount of any deductible provisions of the insurance required to be maintained pursuant to the Lease Agreement. The City shall annually certify to the Trustee that the insurance policies required by the Lease Agreement are in full force and effect and will provide the Trustee with copies of such policies upon request.

Rental Interruption Insurance.

Coverage and Amount. The City shall maintain or cause to be maintained rental interruption insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance required to be maintained as provided in the Lease Agreement. Such rental interruption insurance shall name the Trustee as loss payee.

Joint Insurance. Such insurance may be maintained as part of or in conjunction with any other rental income or use and occupancy insurance carried by the City.

Payment of Net Proceeds. The Net Proceeds of such rental interruption insurance shall be paid to the Trustee and deposited (1) in the Reserve Account to make up any deficiencies therein, and (2) in the Lease Payment Account, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Rental Interruption Insurance. Evidence of such rental interruption insurance policy being in effect shall be sent annually at renewal to the Trustee.

No Self-Insurance. No self-insurance will be permitted with respect to the above requirements for rental interruption insurance.

Cooperation. The Authority shall cooperate fully with the City at the expense of the City in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any portion thereof.

Insurance and Condemnation Account. The Trustee shall create, hold and administer for the benefit of the City pursuant to the Trust Agreement a fund to be known as the Insurance and Condemnation Account; provided that until such time as the Trustee shall have received Net Proceeds, the Trustee need not establish or maintain such an account.

Title Insurance

The City shall obtain and, throughout the Term of the Lease, maintain or cause to be maintained title insurance on the Property, in the form of a CLTA leasehold owner's title policy in an amount equal to the aggregate principal component of unpaid Lease Payments, issued by a company of recognized standing, duly authorized to issue the same, subject only to Permitted Encumbrances. The Net Proceeds of such insurance shall be paid to the Trustee, deposited in the Net Proceeds Fund and applied as provided in the Lease.

Damage, Destruction and Eminent Domain, Use of Net Proceeds

Application of Net Proceeds.

(a) Deposit in Insurance and Condemnation Account. The City and/or the Authority shall transfer to the Trustee any other Net Proceeds received by the City and/or Authority in the event of any taking by eminent domain or condemnation with respect to the Project, for deposit in the Insurance and Condemnation Account.

(b) Disbursement for Replacement or Repair of the Project. Upon receipt of the certification described in paragraph (i) below and the requisition described in paragraph (ii) below, the parties to the Lease Agreement agree that the Trustee shall disburse moneys in the Insurance and Condemnation Account to the person, firm or corporation named in the requisition of the City or Authority.

(i) Certification. The Authorized Representative of the City must provide to the Authority and the Trustee a certificate stating that:

(A) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the City for such purpose, are sufficient to restore the Project to a use which will have an annual fair rental value not less than the annual Lease Payments and Additional Payments due under the Lease Agreement (assuming that the annual Additional Payments due in the future will equal the average annual Additional Payments prior to such date), and

(B) Timely Completion. In the event that damage, destruction or taking results in an abatement of Lease Payments and Additional Payments, such replacement or repair can be fully completed within a period not in excess of the period in which legally available funds, including the proceeds from any rental interruption insurance, will be available to pay in full all Lease Payments and Additional Payments coming due during such period.

(ii) Requisition. An Authorized Representative of the City must state with respect to each payment to be made (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid, and (4) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Account, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation.

Any balance of the Net Proceeds remaining after such replacement or repair has been completed as evidenced by a certificate of the City shall be disbursed as provided in subsection (c) below.

(c) Disbursement for Prepayment. If the Authorized Representative of the City notifies the Trustee in writing of the City's determination that the certification provided in the Lease Agreement, cannot be made or replacement or repair of any portion of the Project are not economically feasible or in the best interest of the City, then the City shall deposit with the Trustee an amount which when combined with the Net Proceeds will prepay enough Lease Payments such that the fair rental value of the remaining portion of the Project are sufficient to pay the principal portions and interest portions due under the Lease Agreement after such Net Proceeds and such deposit by the City are applied to such prepayment.

Covenants with Respect to the Project

Use of the Project. The City represents and warrants that it has an immediate need for all of the Project, which need is not expected to be temporary or to diminish in the foreseeable future.

Leasehold Interest in the Project.

(a) Authority Holds Leasehold Interest During Term. During the Term, the Authority shall hold a leasehold interest in the Project pursuant to the Project Lease. The Authority shall take any and all actions reasonably required, including but not limited to executing and filing any and all documents, reasonably required to maintain and evidence the Authority's leasehold interest in the Project at all times during the Term.

(b) Leasehold Interest Transferred to City at End of Term. Upon the expiration of the Term as provided in the Lease Agreement, the Authority's leasehold interest in the Project pursuant to the Project Lease shall be transferred to and vest in the City, free and clear of any interest of the Authority or its assigns, without the necessity of any additional document of transfer.

Option to Prepay Lease Payments. The City may exercise an option to prepay all or a portion of the Lease Payments in accordance with Article X of the Lease Agreement and, by prepaying Lease Payments in the amounts necessary to cause the termination of the Term as provided in the Lease Agreement (the "Purchase Option Price"), together with any Additional Payments required pursuant to the Lease Agreement, terminate the Authority's leasehold interest in the Project under the Project Lease.

Quiet Enjoyment. Subject only to Permitted Encumbrances, during the Term the Authority shall provide the City with quiet use and enjoyment of the Project, and the City shall during such Term peaceably and quietly have and hold and enjoy the Project, without suit, trouble or hindrance from the Authority, or any person or entity claiming under or through the Authority except as expressly set forth in the Lease Agreement. The Authority will, at the request of the City, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority shall have the right of access to the Project as provided in the Lease Agreement.

Installation of City's Personal Property. The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Project. All such items shall remain the sole personal Project of the City, regardless of the manner in which the same may be affixed to such portion of the Project, in which neither the Authority nor the Trustee shall have any interest, and may be modified or removed by the City at any time; provided that the City shall repair and restore any and all damage to such portion of the Project resulting from the installation, modification or removal of any such items of equipment. Nothing in the Lease Agreement shall prevent the City from purchasing items to be installed pursuant thereto, provided that no lien or security interest attaching to such items shall attach to any part of the Project.

Access to the Project. The City agrees that the Authority and the Authority's successors or assigns shall have (1) the right at all reasonable times to enter upon the Project or any portion thereof to examine and inspect the Project, and (2) such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the City to perform its obligations under the Lease Agreement.

Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance; Repair and Replacement. Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Project, all repair and maintenance of the Project shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Project resulting from ordinary wear and tear or want of care on the part of the City or any sublessee thereof. In exchange for the Lease Payments provided in the Lease Agreement, the Authority agrees to provide only the Project.

(b) Tax and Assessments; Utility Charges. The City shall also pay or cause to be paid all taxes and assessments, including but not limited to utility charges of any type or nature charged to the Authority or the City or levied, assessed or charged against any portion of the Project or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

(c) Contests. The City may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom; provided that prior to such nonpayment it shall furnish the Authority and the Trustee with the opinion of an Independent Counsel to the effect that, by nonpayment of any such items, the interest of the Authority in such portion of the Project will not be materially endangered and that the Project will not be subject to loss or forfeiture. Otherwise, the City shall promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Authority. The Authority will cooperate fully in such contest, upon the request and at the expense of the City.

Modification of the Project.

(a) Additions, Modifications and Improvements. The City shall, at its own expense, have the right to make additions, modifications or improvements to any portion of the Project if such additions, modifications or improvements are necessary or beneficial for the use of such portion of the Project. Such additions, modifications and improvements shall not in any way damage any portion of the Project or cause them to be used for purposes other than those authorized under the provisions of state and federal law or in any way which would impair the exclusion from gross income for federal income tax purposes of the interest portion of the Lease Payments or diminish the fair rental value of the Project; and the Project, upon completion of any additions, modifications and improvements made pursuant to the Lease Agreement, shall be of a value which is not less than the value of the Project immediately prior to the making of such additions, modifications or improvements.

(b) No Liens. Except for Permitted Encumbrances, the City will not permit any mechanic's or other lien to be established or remain against the Project for labor or materials furnished in connection with any additions, modifications or improvements made by the City pursuant to the Lease Agreement; provided that if any such lien is established and the City shall first notify or cause to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such lien, in form satisfactory to the Trustee of the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

Liens. Except as permitted by the Lease Agreement, the City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, liens, charges, encumbrances or claims, as applicable, on or with respect to the Project, other than Permitted Encumbrances and other than the respective rights of the Authority and the City as provided in the Lease Agreement. Except as expressly provided in the Lease Agreement, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided that the City may contest such lien or claim if it desires to do so, so long as such contest will not materially, adversely affect the rights of the City to the Project or the payment of Lease Payments under the Lease Agreement. The City shall reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Authority's Disclaimer of Warranties. THE AUTHORITY OR TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE PROJECT OR PORTION THEREOF. In no event shall the Authority or Trustee be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Lease Agreement, the Project Lease, or the Trust Agreement for the existence, furnishing, functioning or City's use and possession of the Project.

City's Right to Enforce Warranties of Manufacturers, Vendors or Contractors. The Authority irrevocably appoints the City its agent and attorney-in-fact during the Term, so long as the City shall not be in default under the Lease Agreement, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, with respect to the Project or the improvements to the Project which the Authority may have against any manufacturer, vendor or contractor, or any agents thereof. The City's sole remedy for the breach of any such warranty, indemnification or representation shall be against the manufacturer, vendor or contractor with respect thereto, and not against the Authority, nor shall such matter have any effect whatsoever on the rights and obligations of the Authority with respect to the Lease Agreement, including the right to receive full and timely Lease Payments and to cause the City to make all other payments due under the Lease Agreement. The City shall be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Authority shall, upon the City's request and at the City's expense, do all things and take all such actions as the City may request in connection with the assertion of any such claims and rights.

The City expressly acknowledges that neither the Authority nor the Trustee makes, or has made, any representation or warranty whatsoever as to the existence or availability of such warranties of the manufacturer, vendor or contractor with respect to any of the improvements on the Project.

Reconstruction; Application of Net Proceeds. If any useful portion of the Project shall be destroyed or is damaged by fire or other casualty, or title to, or the temporary use of, such portion shall be taken under the exercise of the power of eminent domain, the City shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair, reconstruction, restoration or replacement thereof, unless it is determined under the provisions of the Lease Agreement that such repair, reconstruction, restoration or replacement is not to be undertaken.

Against Encumbrances. The City will not make any pledge of or place any lien on the portion of the Measure "H" Revenues deposited in the Measure "H" Revenues Fund except as provided in the Lease Agreement. The City may expend at any time, or from time to time, general fund revenues or may issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on general fund revenues.

Against Sale or Other Disposition of Project. The City will not enter into any agreement or lease which impairs the operation of the Project or any part thereof. Any real or personal Project which has become nonoperative or which is not needed for the efficient and proper operation of the improvements on the Project, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the City to pay Lease Payments and if the proceeds of such sale are deposited in the Lease Payment Account.

Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Measure "H" Revenues or the funds or accounts created under the Lease Agreement or on any funds in the hands of the City appropriated to pay the Bonds prior or superior to the lien of the Trust Agreement or which might impair the security of the Bonds.

Compliance with Lease. The City will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the City to pay Lease Payments; and the City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it

contained in all other contracts affecting or involving the Project, to the extent that the City is a party thereto.

Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Project, or any part thereof or upon the Measure "H" Revenues when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the improvements on the Project, or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

No City Condemnation. Notwithstanding anything to the contrary in the Lease Agreement, so long as any of the Bonds remain Outstanding, the City will not exercise the power of condemnation with respect to the Project. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Project, the appraised value of the Project shall not be less than the greater of (i) if such Bonds are then subject to redemption, the principal and interest components of the Bonds Outstanding through the date of their redemption, or (ii) if such Bonds are not then subject to redemption, the amount necessary to defease such Bonds to the first available redemption date in accordance with the Trust Agreement.

Eminent Domain Proceeds. If all or any part of the Project shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the City files with the Authority and the Trustee a certificate showing (i) a general description of the additions, betterments, extensions or improvements to the Project proposed to be acquired and constructed by the City from such Net Proceeds, and (ii) an estimate of the value of such additions, betterments, extensions or improvements, and (2) the City, on the basis of such certificate filed with the Authority and the Trustee, determines that the ability of the City to meet its obligations under the Lease Agreement will not be substantially impaired (which determination shall be final and conclusive), then the City shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate, and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the City for such purpose shall be deposited in the Lease Payment Account.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the City in part to the prepayment of Lease Payments as provided in Article X of the Lease Agreement and in part to such other fund or account as may be appropriate and used for the retirement of Bonds.

Assignment, Subleasing and Amendment

Assignment by the Authority. Except as provided in the Lease Agreement, and in the Assignment Agreement and the Trust Agreement, the Authority will not assign the Lease Agreement, or any right, title or interest of the Authority in and to the Lease Agreement, to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in the Lease Agreement.

Assignment and Subleasing by the City.

(a) Assignment. The Lease Agreement may not be assigned by the City unless the City receives (i) an opinion of Bond Counsel, stating that such assignment does not adversely affect the exclusion from gross income for federal income tax purposes or from State of California personal income taxes of the interest portion of Lease Payments and (ii) the prior written consent of the Insurer. In the event that the Lease Agreement is assigned by the City, the obligation to make Lease Payments and perform the other covenants of the City under the Lease Agreement shall remain the obligation of the City.

(b) Sublease. The City may sublease any portion of the Project, with the prior written consent of the Authority and the Insurer, subject to all of the following conditions:

(i) The Lease Agreement and the obligation of the City to make Lease Payments and perform the other covenants of the City under the Lease Agreement shall remain obligations of the City;

(ii) The City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority, the Insurer and the Trustee a true and complete copy of such sublease;

(iii) No sublease by the City shall cause the Project to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and

(iv) No sublease shall cause the interest portion of Lease Payments, or any of them to become subject to federal income taxes or State of California personal income taxes.

Amendments and Modifications. The Lease Agreement may be amended or any of its terms modified, with the written consent of the Authority, the Trustee and the Insurer.

Events of Default and Remedies

Events of Default Defined. The following shall be "events of default" under the Lease Agreement and the terms "events of default" and "default" shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

(a) Payment Default. Failure by the City to pay any Lease Payment or Additional Payment required to be paid under the Lease Agreement on the date such payment is due thereunder.

(b) Covenant Default. Failure by the City to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed in the Lease Agreement or otherwise with respect thereto or in the Project Lease, other than as referred to in the Lease Agreement, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, then no event of default shall have occurred so long as corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(c) Bankruptcy or Insolvency. The filing by the City of a case in bankruptcy, or the subjection of any right or interest of the City under the Lease Agreement to any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

Remedies on Default. Whenever any event of default referred to in the Lease Agreement shall have happened and be continuing, it shall be lawful for the Authority, at the direction of the Insurer, to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN DUE OR PAST DUE TO BE IMMEDIATELY DUE AND PAYABLE.

So long as an event of default exists under the Lease Agreement, the Authority, at the direction of the Insurer, or its assignee, is expressly authorized thereby to enter and re-enter the Project for the purpose of taking possession of any portion of the Project if the City does not deliver possession of the Project to the Authority on demand or to re-let the Project and, in addition, at its option, with or without such entry to terminate the Lease Agreement. In the event that the Authority, or its assignee, does not elect to terminate the Lease Agreement, the City agrees to and shall remain liable for the payment of Lease Payments and Additional Payments and the performance of all conditions in the Lease Agreement contained and shall reimburse the Authority, or its assignee, for any deficiency arising out of the re-letting of the Project, or, in the event that the Authority, or its assignee, does not re-let the Project, then for the full amount of the Lease Payments and Additional Payments to the end of the Term of the Lease Agreement, but said Lease Payments, Additional Payments and/or deficiency shall be payable only at the same time and in the same manner as provided in the Lease Agreement notwithstanding such entry or re-entry by the Authority, or its assignee, or any suit in unlawful detainer, or otherwise, brought by the Authority, or its assignee, for the purpose of effecting such entry or re-entry or obtaining possession of the Project or the exercise of any other remedy by the Authority or its assignee. The City irrevocably appoints the Authority, or its assignee, as the agent and attorney-in-fact of the City to enter upon and re-let the Project in the event of default under the Lease Agreement by the City. The City exempts and agrees to save harmless the Authority and its assignee from any costs, loss or damage whatsoever to the extent arising or occasioned by any lawful entry upon and letting of the Project. The City waives any and all claims for damages caused, or which may be caused, by the Authority, or its assignee, lawfully entering and taking possession of the Project. The City agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority, or its assignee, to re-let the Project in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority, or its assignee, in effecting such re-renting or re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing or re-renting is made, or of the terms and conditions of such re-leasing or re-renting, or otherwise, but that, on the contrary, in the event of such default by the City, the right to terminate the Lease Agreement shall vest in the Authority.

In the event of a default, the obligations of the City shall remain the same as prior to such default and the City agrees to and shall remain liable for the payment of all Lease Payments and Additional Payments and the performance of all conditions contained in the Lease Agreement to the end of the Term of the Lease Agreement. The City further agrees to reimburse the Authority, and its assignee, for any cost or expense, including attorneys' fees, incurred by the Authority or its assignees as a result of such default. The City covenants and agrees that no surrender of the Project for the remainder of the Term of the Lease Agreement or any termination thereof shall be valid in any manner or for any purpose whatsoever. No such termination shall be effected by operation of law.

No Remedy Exclusive. Subject to the express limitation on remedies described in the Lease Agreement, no remedy conferred in the Lease Agreement upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in the Lease Agreement it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

Agreement to Pay Attorneys Fees and Expenses. In the event either party to the Lease Agreement should default under any of the provisions of the Lease Agreement and the nondefaulting party should commence legal action or arbitration for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable attorneys fees, court costs and legal expenses incurred by the nondefaulting party in such action or arbitration after payment of all fees and expenses of the Trustee.

No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Lease Agreement.

Trustee to Exercise Rights. Such rights and remedies as are given to the Authority under the Lease Agreement have been assigned by the Authority to the Trustee, to which assignment the City consents. Such rights and remedies shall be exercised by the Trustee subject to the terms of the Assignment Agreement and the Trust Agreement.

Prepayment of Lease Payments

Security Deposit. Notwithstanding any other provision of the Lease Agreement, the City may, on any date, secure the payment of all unpaid Lease Payments by an irrevocable deposit by it with the Trustee of Defeasance Securities (as defined in the Trust Agreement) consisting of United States government obligations which are adequate in the opinion of an independent certified public accountant to provide for payment of all unpaid Lease Payments as they become due and payable under the Lease Agreement. In such event, and provided that the City has made arrangements acceptable to the Trustee to pay any Additional Payments, all obligations of the City under the Lease Agreement, and all security provided by the Lease Agreement for said obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, Lease Payments from such deposit. On the date of said deposit the leasehold interest in the Project shall vest in the

City automatically and without further action by the City or the Authority (except as provided in the Lease Agreement), provided that the leasehold interest with respect to the Project shall be subject to the subsequent payment of all Lease Payments made from said deposit in full in accordance with the provisions thereof. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of the Lease Agreement. The Authority shall execute and deliver such further instruments and take such further action as may reasonably be requested by the City for carrying out the leasehold interest transfer of the Project.

Effect of Prepayment.

(a) In Whole. In the event that the City prepays all remaining Lease Payments pursuant to the Lease Agreement and has paid all Additional Payments due under the Lease Agreement, the City's obligations under the Lease Agreement shall thereupon cease and terminate, including but not limited to the City's obligation to continue to pay Lease Payments thereunder.

(b) In Part. In the event the City prepays less than all of the remaining principal portion of the Lease Payments pursuant to the Lease Agreement, the amount of such prepayment shall be applied to reduce the principal portion of the remaining Lease Payments corresponding to the resulting prepayment of the principal portion with respect to the Bonds, and the City shall provide the Trustee with an amended schedule of Lease Payments.

Substitution of Property

Conditions for Substitution of Property Constituting Project. Notwithstanding anything in the Lease Agreement to the contrary, the real or personal property constituting the Project (including without limitation the Property and the Capital Improvements) may be substituted, in whole or in part, by other properties, at the option of the City; provided, that the following conditions shall have been satisfied: (i) such substitution does not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of the Bonds; (ii) the City certifies to the Authority and the Trustee that the fair rental value of the substituted property is at least equal to the Lease Payments each year for the remaining term of the Lease Agreement; (iii) in the event that the substituted property consists in whole or in part of real property, a California Land Title Association insurance policy (or, at the City's sole discretion, an American Land Title Association insurance policy) on the substituted property has been obtained and evidence that any existing title insurance with respect to the portion of the Project remaining after such substitution is not affected; (iv) prior to any such substitution, the City shall furnish the following: (1) an MAI fair market appraisal demonstrating that the value of the substituted property is at least equal to the portion of the Project released; (2) a Certificate of Authorized Representative of the City that the useful life of the substituted property meets or exceeds the remaining term of the Bonds; (3) a Certificate of Authorized Representative of the City, that the essentiality of the substituted property is comparable to that of the portion of the Project released; and (4) evidence that, other than Permitted Encumbrances, no prior liens exist as to the substituted property; and (v) the parties to the Lease Agreement shall amend it (and any "short form" or "Memorandum of Lease Agreement" recorded pursuant to the Lease Agreement) to properly reflect such substitution.

Insurer Rights

Notwithstanding anything to the contrary in the Lease Agreement, any sale, substitution, release, transfer, lease assignment, mortgage or encumbrance with respect to the Project under the Lease Agreement or the Project Lease shall be subject to the prior written consent of the Insurer. Additionally, the City may only contest taxes, assessment, utility and other such charges with respect to the Project upon notice to the Insurer and must pay such taxes, assessments, utility and other charges if requested to do so by the Insurer.

So long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the Insurer is deemed a third party beneficiary of the Lease Agreement.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of June 1, 2014, is executed and delivered by the Calexico Financing Authority (the "Issuer"), the City of Calexico (the "City"), and Urban Futures, Inc., as dissemination agent (the "Dissemination Agent"), in connection with the issuance by the Issuer of its $[principal amount] aggregate principal amount of Measure "H" Sales Tax/Lease Revenue Bonds, Issue of 2014 (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement, dated as of June 1, 2014 (the "Trust Agreement"), by and among the Issuer, the City and U.S. Bank National Association, as trustee (the "Trustee"). The Issuer, the City and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the City and the Dissemination Agent for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report of the City, provided by the Issuer or the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the Issuer and the City, and which has filed with the Issuer, the City and the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system located at *http://www.emma.msrb.org*, which is the centralized on-line repository for municipal disclosure documents to be filed with the MSRB pursuant to the Rule, or such other successor repository site as prescribed by the MSRB.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

"Official Statement" shall mean the final Official Statement, dated June __, 2014, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provisions of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 31 after the end of the City's fiscal year (which fiscal year presently ends June 30), commencing March 31, 2015 with the report for the 2013-14 fiscal year, provide to the MSRB, via EMMA, in an electronic format accompanied by identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City and the Issuer to determine if the City is in compliance with the first sentence of this subsection (b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in such form as is prescribed by or acceptable to the MSRB.

(d) The Dissemination Agent (if other than the City) shall, if and to the extent, the City or the Issuer has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the Issuer and the City certifying that the Annual Report has been provided to the MSRB, via EMMA, pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements customarily used by the City, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof:

(1) Information, updated to incorporate information with respect to the most recently ended fiscal year, of the type included in the tables in the sections of the Official Statement entitled "THE MEASURE H REVENUES" and "THE CITY."

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer and the City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten (10) business days after the occurrence of such Listed Event:

(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;

(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.

(b) As soon as reasonably practicable after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (1), (3), (4), (5), (6), (9), (11) or (12), the Dissemination Agent shall inform the Issuer and the City of the occurrence of such event. As soon as reasonably practicable after obtaining knowledge of the occurrence of such event, the Issuer and the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, via EMMA, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(c) As soon as reasonably practicable after obtaining knowledge of the occurrence of any of any of the events listed in Section 5(a) (2), (7), (8), (10), (13) or (14), the Dissemination Agent shall inform the Issuer and the City of the occurrence of such event and request that the Issuer and the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d).

(d) Whenever the Issuer or the City obtains knowledge of the occurrence of any event specified in Section 5(a) (2), (7), (8), (10), (13) or (14), the Issuer and the City shall as soon as possible determine if such event would be material under applicable Federal securities law. If the Issuer or the City determines that knowledge of the occurrence of such event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The Issuer's and the City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 7. Dissemination Agent.

(a) The Issuer and the City hereby appoint and engage Urban Futures, Inc. as the Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The Issuer and the City may replace the Dissemination Agent with or without cause. If at the time there is no designated Dissemination Agent appointed by the Issuer or the City, the City shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder by giving 30-days written notice to the Issuer and the City.

(b) The Dissemination Agent shall be paid compensation by the Issuer and the City for its services provided hereunder in accordance with its schedule of fees agreed to between the Dissemination Agent and the Issuer and the City from time to time and for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer or the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the City, holders or beneficial owners or any other party. The Dissemination Agent may rely and shall be

protected in acting or refraining from acting upon any direction from the Issuer or the City or an opinion of nationally recognized bond counsel.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an Obligated Person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to EMMA in the same manner as for a Listed Event under Section 5(b).

No amendment to this Agreement which modifies the duties or rights of the Dissemination Agent shall be made without the prior written consent of the Dissemination Agent.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer or the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer or the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer and the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer, the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer, the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer, the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer and the City agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Issuer or the City or an opinion of nationally recognized bond counsel. The obligations of the Issuer and the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:
Calexico Financing Authority
608 Heber Avenue
Calexico, California 92231
Attention: Executive Director
Fax: (760) 357-5864

To the City:
City of Calexico
608 Heber Avenue
Calexico, California 92231
Attention: City Manager
Fax: (760) 357-5864

To the Dissemination Agent:
Urban Futures, Inc.
3111 North Tustin Avenue, Suite 230
Orange, California 92865
Attention: Continuing Disclosure
Fax: (714) 283-5465

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first written above.

CALEXICO FINANCING AUTHORITY

_____
Executive Director

CITY OF CALEXICO

_____
City Manager

URBAN FUTURES, INC.,
as Dissemination Agent

_____
Authorized Officer

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APPENDIX D

FORM OF BOND COUNSEL OPINION

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form.

_____, 2014

Calexico Financing Authority
Calexico, California

City of Calexico
Calexico, California

Re: *$11,200,000 Calexico Financing Authority Measure "H" Sales Tax/Lease Revenue Bonds, Issue of 2014*

Honorable Members of the Authority and City Council:

We have examined certified copies of proceedings of the Calexico Financing Authority (the "Authority"), and other information and documents submitted to us relative to the issuance and sale by the Authority of its Measure "H" Sales Tax/Lease Revenue Bonds, Issue of 2014 in the aggregate principal amount of $11,200,000 (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Authority, U.S. Bank National Association, as trustee (the "Trustee"), the purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us and have assumed the genuineness of the signatures on all documents reviewed by us.

The Bonds have been issued pursuant to the authority contained in Article 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and all laws of the State of California supplemental thereto and a Trust Agreement, dated as of June 1, 2014 (the "Trust Agreement"), by and among the Authority, the City of Calexico (the "City") and the Trustee, which was approved by Resolution No. 2013-56 of the Authority, adopted on December 11, 2013 (the "Resolution").

In such connection, we have reviewed the Trust Agreement, the Lease Agreement, dated as of June 1, 2014 (the "Lease Agreement"), by and between the Authority and the City, certificates of the Authority, the City, the Trustee and others, and such other documents, opinions and matters of fact contained therein to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

The Bonds are dated the date of delivery, and mature on the dates and in the amounts set forth in the Trust Agreement. Interest due with respect to the Bonds is payable on the dates and at the rates per annum set forth in the Trust Agreement. The Bonds are registered Bonds issued in the form set forth in the Trust Agreement, redeemable in the amounts, at the times and in the manner provided for in the Trust Agreement.

Based upon our examination of all of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The obligation of the City to pay Lease Payments under the Lease Agreement is a valid and binding obligation payable from the funds of the City lawfully available therefor in the General Fund, subject to annual appropriations which the City has covenanted to make, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public entities in the State of California. Neither the Bonds nor the obligation of the City to make Lease Payments under the Lease Agreement constitutes a debt of the City, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation. Neither the Bonds nor the obligation of the City to make Lease Payments under the Lease Agreement constitutes a pledge of the faith and credit of the City, the State of California or any political subdivision thereof.

2. The Lease Agreement and the Trust Agreement have been duly authorized, executed and delivered by the Authority and the City and constitute valid and legally binding agreements of the Authority and the City enforceable in accordance with their terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. The Bonds have been duly authorized and delivered and, assuming the authentication and delivery thereof by the Trustee in accordance with the terms of the Trust Agreement, are valid and binding obligations of the Authority and are entitled to the benefits of the Trust Agreement.

3. The Trust Agreement creates a valid pledge of that which the Trust Agreement purports to pledge, subject to the provisions of the Trust Agreement, except to the extent that such pledge may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California.

4. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount) is excluded from gross income for federal income tax purposes and such interest (and original issue discount) is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and

corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds (including any original issue discount) will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect such corporation's alternative minimum tax liability.

5. Interest on the Bonds (including any original issue discount) is exempt from State of California personal income tax.

6. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues to the Bond owner is excluded from the gross income of such 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 (as described in paragraph 4 above), and is exempt from State of California personal income tax.

7. The amount by which a Bond 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 Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Bond 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 Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions set forth in paragraphs (4) and (6) above as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the Authority and others and are subject to the condition that the Authority and the City comply with certain covenants and the applicable requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will remain excludable from gross income for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the City have covenanted to comply with all such requirements. We express no opinion regarding other tax consequences with respect to the Bonds.

Certain requirements and procedures contained or referred to in the Trust Agreement and the Tax Certificate relating to the Bonds may be changed, and certain actions may be taken,

under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest (and original issue discount) on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken based upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We have not made or undertaken to make an investigation of the state of title to the Property described and defined in the Lease Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Such actions or events may adversely affect the value or tax treatment of the Bonds and we express no opinion with respect thereto.

We call attention to the fact that the rights and obligations under the Trust Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public entities in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and purchasers of the Bonds should not assume that we have reviewed the Official Statement on their behalf.

Respectfully submitted,

APPENDIX E

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

City of Calexico

Calexico, California

Basic Financial Statements and Independent Auditors' Report

For the year ended June 30, 2013

PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

City of Calexico
Basic Financial Statements
For the year ended June 30, 2013

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Basic Financial Statements
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calexico, California (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 City'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 City's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year 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, Budgetary Comparison Schedule, and Schedules of Funding Progress on pages 3 through 9 and 82 through 86 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements on pages 87 through 112 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pun & McGeady LLP

San Diego, California
March 26, 2014

CITY OF CALEXICO

Management's Discussion and Analysis
For the Year Ended June 30, 2013

As management of the City of Calexico, we offer readers of the City of Calexico's financial statements this narrative overview and analysis of the financial activities of the City of Calexico for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the City of Calexico exceeded its liabilities at the close of fiscal year 2012-13 by $112,715,955 (*net position)*. Of this amount, $12,833,101 is unrestricted.
- During the year, the City's revenues including program revenues, taxes, and other governmental revenues were greater than governmental and business activity expenses. The primary government's net position increased by $2,376,994.
- As of the close of the current fiscal year, the City of Calexico's governmental funds reported combined ending fund balances of $41,358,441, an increase of $2,321,921 from the ending balance of 2012. Approximately $4,419,634 is *available for spending* at the government's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, unrestricted fund balance from the general fund was $4,791,630 or 70% of the fund total. This is an increase of $3,036,859 compared to the prior year, mostly from continued salary and overtime increases.
- The City of Calexico's total current liabilities, excluding proprietary funds, at year-end were $3,537,669, an increase of $176,578 over the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Calexico's basic financial statements. The City of Calexico's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Calexico's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Calexico's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Calexico is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Calexico that are principally supported by taxes and intergovernmental revenues (*governmental activitie*s) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Calexico include general government, public safety, streets, economic development, and culture and recreation. The major business-type activities of the City of Calexico include Water, Refuse and Sewer enterprises.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Calexico, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Calexico can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City of Calexico maintains fifty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in the fund balances for the general fund (which is made up of one major and ten separate and smaller funds), which, consolidated, is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Calexico adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds

The City of Calexico maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Calexico uses enterprise funds to account for its Water, Refuse, and Sewer operations as well as airport and transit. These funds are reported separately as Proprietary Funds. *Internal service funds* are accounting devices used to accumulate and allocate costs internally among the City of Calexico's various functions. Because the Internal Service Fund services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Calexico's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Calexico's General Fund Actual to Budget comparison.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Calexico, assets exceeded liabilities by $91,988,876 at the close of 2011 and $110,338,960 at June 30, 2012.

A large portion (almost all) of the City of Calexico's net position include $54,582,946 as its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Calexico uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Calexico's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional $45,299,908 of the City of Calexico's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, $12,833,101 may be used to meet the government's ongoing obligations to citizens and creditors. Please see table 1 for the analysis.

There was an increase of $3,793,332 in total net position reported in connection with the City of Calexico's business-type activities. Governmental activities net position decreased by ($1,406,337), during the fiscal year. This decrease represents the degree to which decreases in ongoing revenues have outstripped ongoing expenses.

Government-Wide Financial Statements
Table 1: Summary of Net Assets

	June 30, 2012			June 30, 2013		
Assets	Governmental Activities	Business -Type Activities	Total	Governmental Activities	Business -Type Activities	Total
Current and other assets	$ 25,406,184	$ 13,806,413	$ 39,212,597	$ 28,610,635	$ 17,427,357	$ 46,037,992
Non Current Assets	15,495,524	11,469,519	26,965,043	15,626,317	11,444,871	27,071,188
Capital assets (net of depreciation)	49,639,938	38,161,797	87,801,735	49,697,785	37,703,362	87,401,147
Total Assets	90,541,646	63,437,729	153,979,375	93,934,737	66,575,590	160,510,327
Liabilities						
Long-term liabilities outstanding	17,270,088	16,157,510	33,427,598	17,467,103	15,351,098	32,818,201
Other liabilities	9,132,928	1,079,889	10,212,817	13,735,341	1,240,830	14,976,171
Total liabilities	26,403,016	17,237,399	43,640,415	31,202,444	16,591,928	47,794,372
Net Assets:						
Invested in capital assets, net of related debt	32,369,850	22,004,287	54,374,137	32,230,682	22,352,264	54,582,946
Restricted	33,139,419	10,853,320	43,992,739	34,446,588	10,853,320	45,299,908
Unrestricted	(1,370,639)	13,342,723	11,972,084	(3,944,977)	16,788,078	12,843,101
Total net assets	$ 64,138,630	$ 46,200,330	$110,338,960	$ 62,732,293	$ 49,993,662	$ 112,725,955

Governmental Activities

Governmental activities decreased the City of Calexico's net position by $2,018,246 as stated above, thereby accounting for 31 percent of the net change in the net position of the City of Calexico. This was primarily attributable to the drop in revenue and to a very limited extent the dissolution of the Redevelopment Agency.

Expenses for governmental activities increased $8,907,052 from 2012 to 2013, with $23,658,333 being the total for 2012 and $32,565,385 for 2013.

Government-Wide Financial Statements
Table 2: Summary Changes of Net Assets

	June 30,2012			June 30,2013		
Revenues	Governmental Activities	Business -Type Activities	Total	Governmental Activities	Business -Type Activities	Total
Charges for services	$ 3,305,204	$ 14,941,676	$ 18,246,880	$ 5,105,683	$ 13,180,080	$ 18,285,763
Operating grants	2,116,125	637,330	2,753,455	880,889	360,689	1,241,578
Capital grants	5,066,364	51,830	5,118,194	10,247,398	-	10,247,398
General revenues:						
Property taxes	6,720,789	-	6,720,789	4,189,718	-	4,189,718
Tax increment	-	-	-	-	-	-
Sales taxes	6,347,768	-	6,347,768	5,856,141	-	5,856,141
Other taxes	971,079	-	971,079	1,338,606	-	1,338,606
Investments	324,084	84,008	408,092	647,555	-	647,555
Other revenues	369,248	-	369,248	2,281,149	-	2,281,149
Total Revenues	25,220,661	15,714,844	40,935,505	30,547,139	13,540,769	44,087,908
Expenses						
General administration	2,747,496	-	2,747,496	4,633,855	-	4,633,855
Building and safety	11,835,749	-	11,835,749	12,322,994	-	12,322,994
Culture and Recreation	1,292,945	-	1,292,945	1,180,217	-	1,180,217
Public Works	1,564,557	-	1,564,557	4,577,535	-	4,577,535
Economic development	2,772,058	-	2,772,058	5,829,712	-	5,829,712
Depreciation	2,952,391	-	2,952,391	3,309,207	-	3,309,207
Interest and Fiscal Charges	493,137	-	493,137	711,865	880,670	1,592,535
Other Enterprise funds	-	2,806,949	2,806,949	-	-	-
Water	-	6,369,183	6,369,183	-	5,587,508	5,587,508
Sewer	-	4,148,641	4,148,641	-	2,680,006	2,680,006
Total expenses	23,658,333	13,324,773	36,983,106	32,565,385	9,148,184	41,713,569
Increase in Net Assets before Transfers	1,562,328	2,390,071	3,952,399	(2,018,246)	4,392,585	2,374,339
Transfers	654,143	(654,143)	-	-	-	-
Adjustment	-	-	-	-	-	-
Gain in dissolution . of former RDA	14,397,685	-	14,397,685	-	-	-
Increase in Net Assets	16,614,156	1,735,928	32,747,769	(2,018,246)	4,392,585	2,374,339
Beginning Net Assets	46,321,374	44,464,402	90,785,776	64,138,630	46,200,330	110,338,960
Prior period adjustment	1,203,100	-	1,203,100	611,909	(611,909)	-
Ending Net Assets	$ 64,138,630	$ 46,200,330	$ 124,736,645	$ 62,732,293	$ 49,981,006	$ 112,713,299

Business-type Activities

Business-type activities decreased the City of Calexico's expenses by $4,176,589. This was mostly attributable to decreases in sewer expenses of $1,468,635.

Financial Analysis of the Government's Funds

As noted earlier, the City of Calexico uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Calexico's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spending* resources. Such information is useful in assessing the City of Calexico's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Calexico's governmental funds reported combined total ending fund balances of $41,358,441.

The General Fund is the chief operating fund of the City of Calexico. At the end of this current fiscal year, unrestricted fund balance of the General Fund was $4,791,630, while total fund balance reached $6,831,230. As a measure of the General Fund liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 30 percent of the total general fund expenditures, while total fund balance represents 43 percent of that same amount. The unrestricted fund balance in 2012 was 12 percent of the General Fund expenditures. At least 5 percent of that was due to a drop in fund balance while the remaining 7 percent was due to a larger increase in expenditures for 2013.

The City of Calexico's unrestricted General Fund "fund balance" decreased by $3,036,859 during the current fiscal year. This reflects the general fund decline in taxes and charges for services. The police expenditures budget is more than 50 percent of the General Fund expenditures.

Proprietary Funds

The City of Calexico's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the Water, Wastewater, and combined Airport and Transit enterprises at the end of the fiscal years 2012 and 2013 amounted to $45,588,422 and $49,983,662 respectively. The net position for the proprietary funds Water, Wastewater, and combined Airport and Transit increased $4,395,240 year over year, or 9.6 percent. Other factors concerning the finances of these funds are addressed in the discussion of the City of Calexico's business-type activities.

Statement of Revenues, Expenses and Changes in Net Position 6/30/2012
Table 3: Proprietary Funds

	Business-Type Activities			
	Water	Wastewater	Other Enterprise	Total
Operating Revenues	$ 6,620,686	$ 5,444,778	$ 645,368	$ 12,710,832
Operating Expenses	6,369,183	4,148,641	1,094,707	11,612,531
Operating Income (loss)	251,503	1,296,137	(449,339)	1,098,301
Total non-operating revenues (expenses)	53,849	79,930	637,933	771,712
Transfer in	-	-	48,000	48,000
Transfers out	-	-	-	-
Change in Net Assets	305,352	1,376,067	236,594	1,918,013
Total Net Position, Beginning	27,004,953	15,580,633	1,084,823	43,670,409
Total Net Position, Ending	$ 27,310,305	$ 16,956,700	$ 1,321,417	$ 45,588,422

Statement of Revenues, Expenses and Changes in Net Position 6/30/2013
Table 3: Proprietary Funds

	Business-Type Activities			
	Water	Wastewater	Other Enterprise	Total
Operating Revenues	$ 6,971,804	$ 5,690,977	$ 519,954	$ 13,182,735
Operating Expenses	5,587,508	2,680,006	880,670	9,148,184
Operating Income (loss)	1,384,296	3,010,971	(360,716)	4,034,551
Total non-operating revenues (expenses)	-	-	360,689	360,689
Transfer in	-	-	4,670	4,670
Transfers out	-	(4,670)	-	(4,670)
Change in Net Assets	1,384,296	3,006,301	4,643	4,395,240
Total Net Position, Beginning	27,310,305	16,956,700	1,321,417	45,588,422
Total Net Position, Ending	$ 28,694,601	$ 19,963,001	$ 1,326,060	$ 49,983,662

General Fund Budgetary Highlights

The original budgeted General Fund revenue for 2013 ended at $15,376,659 which is the original adopted and final. The actual came in $117,445 under the final budget. There were no budget adjustments during the course of the fiscal year.

Differences between the final budget and the actual expenditures were favorable except for the general government department. Administration was $451,906 over budget. Overall the General Fund expenditures came in under the budget by $2,028,598. Although these funds have been designated by Council approval, they have not been legally committed and therefore are reflected as part of the unreserved funds.

Capital Asset and Debt Administration

Capital Assets

The City of Calexico's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to $91,658,954 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements other than buildings, machinery and equipment, as well as construction in progress.

Capital Assets 6/30/2012
Table 4

	(Net of Depreciation)		
	Governmental Activities	Business-Type Activities	Total
Land	$ 5,394,203	$ 210,000	$ 5,604,203
Construction in progress	5,812,877	2,192,338	8,005,215
Buildings and Improv	12,107,161	19,294,894	31,402,055
Machinery and equipment	2,375,924	4,373,134	6,749,058
Infrastructure	23,953,385	12,091,431	36,044,816
Total Capital Assets	$ 49,643,550	$ 38,161,797	$ 87,805,347

The City of Calexico's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to $87,805,347 (net of accumulated depreciation), a decrease of $404,200 when compared to 2013.

Capital Assets 6/30/2013
Table 4

	(Net of Depreciation)		
	Governmental Activities	Business-Type Activities	Total
Land	$ 5,394,203	$ 210,000	$ 5,604,203
Construction in progress	875,036	2,648,967	3,524,003
Buildings and Improvm	12,121,066	18,671,428	30,792,494
Machinery and equipment	2,920,103	4,032,966	6,953,069
Infrastructure	28,387,377	12,140,001	40,527,378
Total Capital Assets	$ 49,697,785	$ 37,703,362	$ 87,401,147

Long-term Debt

At the end of fiscal year 2011, the City of Calexico had total debt outstanding of $74,413,917. Fiscal year 2011-12 ended with a total outstanding debt of $43,640,415.This is a decrease of $30,773,502 year-to-year. The cause is related to the dissolution of the RDA.

Outstanding Debt 6/30/2012
Table 5

	Governmental Activities	Business-Type Activities	Total
Tax Allocation Bonds	$ 15,410,000	$ -	$ 15,410,000
Capital Lease Payable	1,088,142	-	1,088,142
Lease Revenue Bonds:			
Water 2007	-	14,030,000	14,030,000
Certificates of Participation:			
Water-WasteWater 1997	-	1,350,000	1,350,000
State Revolving Fund Loan	-	777,510	777,510
Notes Payable	90,000	-	90,000
OPEB Obligations	5,931,831	-	5,931,831
Compensated Absences	1,602,790	371,877	1,974,667
Contracts Payable	2,280,253	708,012	2,988,265
Total	$ 26,403,016	$ 17,237,399	$ 43,640,415
June 30,2011	$ 56,380,477	$ 18,033,440	$ 74,413,917
Change in debt service	$ (29,977,461)	$ (796,041)	$ (30,773,502)

Outstanding Debt 6/30/2013
Table 5

	Governmental Activities	Business-Type Activities	Total
Tax Allocation Bonds	$ 14,915,000	$ -	$ 14,915,000
Capital Lease Payable	842,409	-	842,409
Lease Revenue Bonds:			
Water 2007	-	14,030,000	14,030,000
Certificates of Participation:			
Water-WasteWater 1997	-	685,000	685,000
State Revolving Fund Loan	-	636,098	636,098
Notes Payable	90,000	-	90,000
OPEB Obligations	7,569,634	-	7,569,634
Compensated Absences	1,639,330	368,319	2,007,649
Contracts Payable	6,146,071	872,511	7,018,582
Total	$ 31,202,444	$ 16,591,928	$ 47,794,372
June 30,2012	$ 26,403,016	$ 17,237,399	$ 43,640,415
Change in debt service	$ 4,799,428	$ (645,471)	$ 4,153,957

The City's outstanding debt increased to $47,794,372 at year ended June 30, 2013. That equates to a $4,153,957 increase in outstanding debt.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate estimated by the State of California Employment Development Department for the City of Calexico is 19.5 percent, up from last year's 18 percent. Until this year, unemployment had dropped two consecutive years from a high in 2010 of 23.8 percent.

Although housing assessed valuations are not increasing significantly, there is increased interest on the part of developers and signs of new construction are apparent. However, the lending and financing restrictions that exist in today's market will keep growth in this area muted for the foreseeable future.

Consumer spending is up by a few percentage points and sales tax will be a major contributor to the City's new revenue in the coming budget year due to the opening of the Gran Plaza Outlet Mall.

Requests for Information

This financial report is designed to provide a general overview of the City of Calexico's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Calexico, City Clerk, 608 Heber Avenue, Calexico, CA 92231.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Calexico
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 22,711,606	$ 14,266,072	$ 36,977,678
Receivables:			
Accounts, net	4,302,195	3,344,797	7,646,992
Taxes	1,360,001	-	1,360,001
Other	-	1,690	1,690
Internal balances	232,158	(232,158)	-
Inventories	2,449	46,956	49,405
Prepaid items	2,226	-	2,226
Total current assets	28,610,635	17,427,357	46,037,992
Noncurrent assets:			
Cash and investments with fiscal agents	15,362,980	10,853,320	26,216,300
Deferred charges, net	263,337	591,551	854,888
Capital assets:			
Non-depreciable assets	6,269,239	2,858,967	9,128,206
Depreciable assets, net	43,428,546	34,844,395	78,272,941
Total capital assets	49,697,785	37,703,362	87,401,147
Total noncurrent assets	65,324,102	49,148,233	114,472,335
Total assets	93,934,737	66,575,590	160,510,327
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,381,666	408,165	2,789,831
Interest payable	72,180	114,663	186,843
Unearned revenue	-	94,935	94,935
Claims payable - due within one year	179,886	-	179,886
Long-term debt - due within one year	928,313	833,129	1,761,442
Total current liabilities	3,562,045	1,450,892	5,012,937
Noncurrent liabilities:			
Deposits payable	233,508	254,748	488,256
Compensated absences	1,639,330	368,319	2,007,649
Net OPEB liability	7,569,634	-	7,569,634
Claims payable - due in more than one year	1,659,137	-	1,659,137
Long-term debt - due in more than one year	16,538,790	14,517,969	31,056,759
Total noncurrent liabilities	27,640,399	15,141,036	42,781,435
Total liabilities	31,202,444	16,591,928	47,794,372
NET POSITION			
Net investment in capital assets	32,230,682	22,352,264	54,582,946
Restricted for:			
Special projects	17,566,792	-	17,566,792
Debt service	15,362,980	10,853,320	26,216,300
Capital projects	1,516,816	-	1,516,816
Total restricted	34,446,588	10,853,320	45,299,908
Unrestricted (deficit)	(3,944,977)	16,778,078	12,833,101
Total net position	$ 62,732,293	$ 49,983,662	$ 112,715,955

See accompanying Notes to Basic Financial Statements.

City of Calexico
Statement of Activities
For the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total Program Revenues
Primary government:					
Governmental activities:					
General government	$ 4,633,855	$ 351,943	$ 107,070	$ 94,378	$ 553,391
Public safety	12,322,994	1,624,127	471,647	-	2,095,774
Public works	4,577,535	2,317,500	90,186	3,247,479	5,655,165
Culture and recreation	1,180,217	151,404	19,738	-	171,142
Community development	5,829,712	660,709	192,248	6,905,541	7,758,498
Depreciation (unallocated)	3,309,207	-	-	-	-
Interest and fiscal charges	711,865	-	-	-	-
Total governmental activities	32,565,385	5,105,683	880,889	10,247,398	16,233,970
Business-type activities:					
Water	5,587,508	6,969,163	-	-	6,969,163
Wastewater	2,680,006	5,690,963	-	-	5,690,963
Other	880,670	522,609	360,689	-	883,298
Total business-type activities	9,148,184	13,182,735	360,689	-	13,543,424
Total primary government	$ 41,713,569	$ 18,288,418	$ 1,241,578	$ 10,247,398	$ 29,777,394

See accompanying Notes to Basic Financial Statements.

City of Calexico
Statement of Activities (Continued)
For the year ended June 30, 2013

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	$ (4,080,464)	$ -	$ (4,080,464)
Public safety	(10,227,220)	-	(10,227,220)
Public works	1,077,630	-	1,077,630
Culture and recreation	(1,009,075)	-	(1,009,075)
Community development	1,928,786	-	1,928,786
Depreciation (unallocated)	(3,309,207)	-	(3,309,207)
Interest and fiscal charges	(711,865)	-	(711,865)
Total governmental activities	(16,331,415)	-	(16,331,415)
Business-type activities:			
Water	-	1,381,655	1,381,655
Wastewater	-	3,010,957	3,010,957
Other	-	2,628	2,628
Total business-type activities	-	4,395,240	4,395,240
Total primary government	(16,331,415)	4,395,240	(11,936,175)
General revenues:			
Taxes:			
Property taxes	4,189,718	-	4,189,718
Sales taxes	5,856,141	-	5,856,141
Motor vehicle license taxes	20,543	-	20,543
Transit occupancy taxes	388,248	-	388,248
Franchise taxes	282,964	-	282,964
Non-regulatory business license tax	646,851	-	646,851
Total taxes	11,384,465	-	11,384,465
Investment earnings	647,555	-	647,555
Miscellaneous	2,281,149	-	2,281,149
Total general revenues	14,313,169	-	14,313,169
Change in net position	(2,018,246)	4,395,240	2,376,994
Net position - beginning of year	64,138,630	46,200,331	110,338,961
Prior period adjustments (Note 16)	611,909	(611,909)	-
Net position - end of year	$ 62,732,293	$ 49,983,662	$ 112,715,955

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Calexico
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds					
	General Fund	LTA Measure D Special Revenue Fund	HOME Revolving Loan Special Revenue Fund	LTA Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 5,313,325	$ 5,080,288	$ 201,659	$ -	$ 12,116,334	$ 22,711,606
Cash and investments with fiscal agents	-	-	-	15,362,980	-	15,362,980
Receivables:						
Accounts	120,903	-	1,396,137	-	2,785,155	4,302,195
Taxes	912,633	411,003	-	-	36,365	1,360,001
Due from other funds	1,154,653	-	-	-	-	1,154,653
Inventories	2,449	-	-	-	-	2,449
Prepaid items	375	-	-	-	1,851	2,226
Total assets	$ 7,504,338	$ 5,491,291	$ 1,597,796	$ 15,362,980	$ 14,939,705	$ 44,896,110
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 590,211	$ 218,737	$ 1,396,137	$ -	$ 176,581	$ 2,381,666
Due to other funds	-	-	-	-	922,495	922,495
Deposits payable	82,897	-	-	-	150,611	233,508
Total liabilities	673,108	218,737	1,396,137	-	1,249,687	3,537,669
Fund Balances:						
Non-spendable	2,824	-	-	-	-	2,824
Restricted	2,036,776	5,272,554	201,659	15,362,980	14,062,014	36,935,983
Unrestricted (deficit)	4,791,630	-	-	-	(371,996)	4,419,634
Total fund balances	6,831,230	5,272,554	201,659	15,362,980	13,690,018	41,358,441
Total liabilities and fund balances	$ 7,504,338	$ 5,491,291	$ 1,597,796	$ 15,362,980	$ 14,939,705	$ 44,896,110

See accompanying Notes to Basic Financial Statements.

City of Calexico
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2013

Total Fund Balances - Total Governmental Funds	$ 41,358,441
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not financial resources and therefore were not reported in the governmental funds.	
Nondepreciable	6,269,239
Depreciable, net of accumulated depreciation	43,428,546
Total capital assets	49,697,785
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Compensated absences	(1,639,330)
Claims payable - due within one year	(179,886)
Long-term liabilities - due within one year	(928,313)
Claims payable - due in more than one year	(1,659,137)
Long-term liabilities - due in more than one year	(16,538,790)
Total long-term liabilities	(20,945,456)
Deferred charges, net of accumulated amortization for debt issuance costs and discounts on long-term debt, had not been reported in the governmental funds.	263,337
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds.	(72,180)
Net OPEB liability was not due and payable in the current period and therefore was not reported in the governmental funds.	(7,569,634)
Net Position of Governmental Activities	$ 62,732,293

See accompanying Notes to Basic Financial Statements.

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City of Calexico
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	Major Funds					
	General Fund	LTA Measure D Special Revenue Fund	HOME Revolving Loan Special Revenue Fund	LTA Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	$ 10,728,990	$ -	$ -	$ -	$ 116,481	$ 10,845,471
Licenses, permits and fees	676,233	-	-	-	-	676,233
Intergovernmental	1,074,146	1,641,536	5,082,900	1,270,300	3,080,096	12,148,978
Charges for services	1,536,472	-	-	-	1,784,336	3,320,808
Development fees	-	-	-	-	222,176	222,176
Fines and forfeitures	237,108	-	-	-	9,672	246,780
Use of money and property	227,978	-	167,187	20,894	394,570	810,629
Other revenues	778,287	281	-	-	1,497,496	2,276,064
Total revenues	15,259,214	1,641,817	5,250,087	1,291,194	7,104,827	30,547,139
EXPENDITURES:						
Current:						
General government	3,588,021	-	-	-	582,561	4,170,582
Public safety	9,720,917	-	-	-	1,189,618	10,910,535
Public works	1,643,152	5,262	-	-	2,725,013	4,373,427
Culture and recreation	951,389	-	-	-	75,477	1,026,866
Community development	-	-	5,075,063	-	508,471	5,583,534
Capital outlay	36,077	2,096,765	-	-	270,846	2,403,688
Debt service:						
Principal	-	-	-	495,000	-	495,000
Interest and fiscal charges	-	-	-	636,141	-	636,141
Total expenditures	15,939,556	2,102,027	5,075,063	1,131,141	5,351,986	29,599,773
REVENUES OVER (UNDER) EXPENDITURES	(680,342)	(460,210)	175,024	160,053	1,752,841	947,366
OTHER FINANCING SOURCES (USES):						
Transfers in	972,546	-	63,048	-	1,612,685	2,648,279
Transfers out	(120,721)	(48,852)	(100,022)	-	(2,378,684)	(2,648,279)
Total other financing sources (uses)	851,825	(48,852)	(36,974)	-	(765,999)	-
NET CHANGE IN FUND BALANCE	171,483	(509,062)	138,050	160,053	986,842	947,366
FUND BALANCES:						
Beginning of year	5,897,101	5,781,616	63,609	15,202,927	12,703,176	39,648,429
Prior period adjustments (Note 16)	762,646	-	-	-	-	762,646
End of year	$ 6,831,230	$ 5,272,554	$ 201,659	$ 15,362,980	$ 13,690,018	$ 41,358,441

See accompanying Notes to Basic Financial Statements.

City of Calexico
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities
For the year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	$ 947,366
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenues, Expenditures, and Changes in Fund Balances throughout various departments. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	2,403,688
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in governmental funds.	(3,309,207)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) increased Net Position.	17,066
Long-term claims payable were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, the change in long-term claims payable was not reported as an expenditure in governmental funds.	(1,076,377)
Long-term compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, the change in long-term compensated absences was not reported as an expenditure in governmental funds.	(36,540)
Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Principal payment	495,000
Bond premium	8,552
Capital lease payment	245,733
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. The following amount represents the change in accrued interest from the prior year.	(46,464)
Amortization expenses on deferred charges and deferred loss on refunding were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, amortization expense on deferred charges and deferred loss on refunding were not reported as expenditures in governmental funds.	
Bond issuance costs	(29,260)
Net OPEB liability was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the change in the OPEB liability was not reported as an expenditure in governmental funds.	(1,637,803)
Change in Net Position of Governmental Activities	$ (2,018,246)

See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

City of Calexico
Statement of Net Position
Proprietary Funds
June 30, 2013

	Major Funds		Non-Major Enterprise	
	Water	Wastewater	Funds	Total
ASSETS				
Current assets:				
Cash and investments	$ 4,466,341	$ 9,559,437	$ 240,294	$ 14,266,072
Cash and investments with fiscal agents	10,635,635	217,685	-	10,853,320
Accounts receivable, net	1,743,484	1,253,236	348,077	3,344,797
Other receivables	1,218	472	-	1,690
Inventories	-	-	46,956	46,956
Total current assets	16,846,678	11,030,830	635,327	28,512,835
Noncurrent assets:				
Deferred issuance costs, net	591,551	-	-	591,551
Capital assets:				
Non-depreciable	1,267,660	1,453,534	137,773	2,858,967
Depreciable, net	25,374,441	8,528,884	941,070	34,844,395
Total net capital assets	26,642,101	9,982,418	1,078,843	37,703,362
Total noncurrent assets	27,233,652	9,982,418	1,078,843	38,294,913
Total assets	44,080,330	21,013,248	1,714,170	66,807,748
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	284,623	62,525	61,017	408,165
Deferred revenue	-	-	94,935	94,935
Interest payable	111,056	3,607	-	114,663
Due to other funds	-	-	232,158	232,158
Long term debt, due within one year	483,541	349,588	-	833,129
Total current liabilities	879,220	415,720	388,110	1,683,050
Noncurrent liabilities:				
Deposits payable	247,248	7,500	-	254,748
Compensated absences	229,261	139,058	-	368,319
Loans payable	-	487,969	-	487,969
Bonds payable	14,030,000	-	-	14,030,000
Total noncurrent liabilities	14,506,509	634,527	-	15,141,036
Total liabilities	15,385,729	1,050,247	388,110	16,824,086
NET POSITION				
Net investment in capital assets	12,128,560	9,144,861	1,078,843	22,352,264
Restricted for:				
Debt service	10,635,635	217,685	-	10,853,320
Unrestricted	5,930,406	10,600,455	247,217	16,778,078
Total net position	$ 28,694,601	$ 19,963,001	$ 1,326,060	$ 49,983,662

See accompanying Notes to Basic Financial Statements.

City of Calexico
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2013

	Major Funds		Non-Major Enterprise Funds	
	Water	Wastewater		Total
OPERATING REVENUES:				
Charges for services	$ 6,969,163	$ 5,690,963	$ 519,954	$ 13,180,080
Other revenue	2,641	14	-	2,655
Total operating revenues	6,971,804	5,690,977	519,954	13,182,735
OPERATING EXPENSES:				
Salaries and benefits	2,149,099	1,225,561	-	3,374,660
Material, supplies, and operational expenses	2,636,737	1,058,553	814,229	4,509,519
Depreciation	801,672	395,892	66,441	1,264,005
Total operating expenses	5,587,508	2,680,006	880,670	9,148,184
OPERATING INCOME (LOSS)	1,384,296	3,010,971	(360,716)	4,034,551
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	-	-	360,689	360,689
Total nonoperating revenues (expenses)	-	-	360,689	360,689
INCOME (LOSS) BEFORE TRANSFERS	1,384,296	3,010,971	(27)	4,395,240
TRANSFERS:				
Transfers in	-	-	4,670	4,670
Transfers out	-	(4,670)	-	(4,670)
Total transfers	-	(4,670)	4,670	-
Change in net position	1,384,296	3,006,301	4,643	4,395,240
NET POSITION:				
Beginning of year	27,310,305	16,956,700	1,321,417	45,588,422
End of year	$ 28,694,601	$ 19,963,001	$ 1,326,060	$ 49,983,662

See accompanying Notes to Basic Financial Statements.

City of Calexico
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2013

	Major Funds		Non-Major Enterprise Funds	Total
	Water	Wastewater		
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	$ 6,802,639	$ 5,639,040	$ 208,678	$ 12,650,357
Cash payments to suppliers for goods and services	(2,468,505)	(1,073,514)	(784,152)	(4,326,171)
Cash payments to employees for services	(2,147,986)	(1,230,232)	-	(3,378,218)
Insurance premiums and settlements	-	-	-	-
Other	104,552	139,863	281,256	525,671
Net cash provided (used) by operating activities	2,290,700	3,475,157	(294,218)	5,471,639
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental revenue	-	-	360,689	360,689
Transfers in	-	-	4,670	4,670
Transfers out	-	(4,670)	-	(4,670)
Net cash provided (used) by noncapital financing activities	-	(4,670)	365,359	360,689
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(437,407)	(348,947)	(19,216)	(805,570)
Principal paid on capital-related debt	(469,424)	(336,988)	-	(806,412)
Interest paid on capital-related debt	24,648	-	-	24,648
Net cash provided (used) by capital and related financing activities	(882,183)	(685,935)	(19,216)	(1,587,334)
Net increase (decrease) in cash and cash equivalents	1,408,517	2,784,552	51,925	4,244,994
CASH AND CASH EQUIVALENTS:				
Beginning of year	13,693,459	6,992,570	188,369	20,874,398
End of year	$ 15,101,976	$ 9,777,122	$ 240,294	$ 25,119,392

See accompanying Notes to Basic Financial Statements.

City of Calexico
Statement of Cash Flows (Continued)
Proprietary Funds
For the year ended June 30, 2013

	Major Funds		Non-Major Enterprise Funds	Total
	Water	Wastewater		
RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET ASSETS:				
Cash and investments	$ 4,466,341	$ 9,559,437	$ 240,294	$ 14,266,072
Cash and investments with fiscal agents	10,635,635	217,685	-	10,853,320
Total cash and investments	$ 15,101,976	$ 9,777,122	$ 240,294	$ 25,119,392
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 1,384,296	$ 3,010,971	$ (360,716)	$ 4,034,551
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	801,672	395,892	66,441	1,264,005
Changes in operating assets and liabilities:				
Accounts receivable	(191,634)	(58,965)	(311,276)	(561,875)
Other receivables	(1,218)	(472)	-	(1,690)
Due from other funds	104,552	139,863	-	244,415
Inventories	-	-	(1,374)	(1,374)
Accounts payable and accrued liabilities	168,232	(14,961)	31,451	184,722
Deposits payable	23,687	7,500	-	31,187
Due to other funds	-	-	231,549	231,549
Deferred revenue	-	-	49,707	49,707
Compensated absences	1,113	(4,671)	-	(3,558)
Total adjustments	906,404	464,186	66,498	1,437,088
Net cash provided (used) by operating activities	$ 2,290,700	$ 3,475,157	$ (294,218)	$ 5,471,639

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

City of Calexico
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds	Successor Agency to the Calexico Redevelopment Agency
ASSETS		
Current assets:		
Cash and investments	$ 2,543,987	$ 11,190,940
Cash and investments with fiscal agents	2,130,824	8,961,574
Accounts receivable	16,654	-
Total current assets	$ 4,691,465	20,152,514
Noncurrent assets:		
Deferred charges, net	-	1,259,285
Deferred losses on refunding, net	-	812,740
Capital assets:		
Nondepreciable	-	1,439,214
Depreciable	-	3,785,912
Less accumulated depreciation	-	(841,285)
Total noncurrent assets	-	6,455,866
Total assets	$ 4,691,465	26,608,380
LIABILITIES		
Accounts payable	$ 2,134,743	3,967,835
Due to bondholders	2,544,772	-
Deposits payable	11,950	-
Interest payable	-	845,448
Long-term debt	-	38,821,839
Total liabilities	$ 4,691,465	43,635,122
NET POSITION (DEFICIT)		
Held in trust for retirement of obligations of the former Community Redevelopment Agency of the City of Calexico		$ (17,026,742)

See accompanying Notes to Basic Financial Statements.

City of Calexico
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2013

	Successor Agency to the Calexico Redevelopment Agency
ADDITIONS:	
Property taxes	$ 3,436,166
Investment earnings	155,850
Other revenue	490,999
Total additions	4,083,015
DEDUCTIONS:	
Administration expenses	215,090
Depreciation	74,641
Interest expense and fiscal charges	2,228,862
Total deductions	2,518,593
EXTRAORDINARY ITEM:	
Loss on dissolution of the former Community Redevelopment Agency of the City of Calexico	(3,961,372)
Change in net position	(2,396,950)
NET POSITION:	
Beginning of year	(14,629,792)
End of year	$ (17,026,742)

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Calexico
Notes to Basic Financial Statements
For the year ended June 30, 2013

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Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Calexico, California (the "City") have been prepared in conformity with Generally Accepted Accounting Principles ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Financial Reporting Entity

The City was incorporated in April, 1908, under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. It is governed by an elected five member council.

As required by GAAP in the United States, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and either the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. The component unit for which the City is considered financially accountable is described below:

Calexico Housing Authority (the "Housing Authority") – The Housing Authority was formed on January 31, 2012 to develop or acquire and subsequently operate rental housing projects within the City. The members of the City Council act as the governing board of the Housing Authority. The Housing Authority does not issue separate financial statements.

The above component unit is included in the City's basic financial statements using the blended method since the governing body of the component unit is substantially the same as the governing body of the City and the component units provided services entirely to the City. The activities of the Housing Authority are included in the special revenue fund.

The accounting policies of the City conform to generally accepted accounting principles in the United States for local governmental units. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose which they are to be spent and means by which spending activities are controlled.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

In 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Government – Wide and Fund Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the Statement of Activities, internal service fund transactions have been eliminated.) However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

Governmental Funds of the City are outlined below:

General Fund **-** This fund accounts for all revenues and expenditures to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In the City, these services include general government, safety, community development, culture and recreation and public works.

LTA Measure D Special Revenue Fund **–** This fund accounts for revenues from 0.5% retail and use tax used for transportation improvements to repair and rehabilitate existing roadways, reduce congestion and improve safety, and to provide for construction of needed facilities.

HOME Revolving Special Revenue Fund **-** This fund accounts for the revenues and expenditures for the HOME investment program.

LTA Debt Service Fund **-** This fund accounts for debt service payments associated with debt issued for transportation projects.

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Other Governmental Funds **-** Other Governmental Funds is the aggregate of all the non-major governmental funds.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Proprietary Funds of the City are outlined below:

Water Enterprise Fund **–** This fund accounts for the operation and maintenance of the City's water distribution system.

Wastewater Enterprise Fund **–** This fund accounts for the operation and maintenance of the City's wastewater collection system, the wastewater treatment facility, and the recycled water disposal system.

Other Enterprise Funds **-** Other Enterprise Funds is the aggregate of all the non-major governmental funds.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City has two types of fiduciary funds. They are the private purpose trust funds and agency funds.

The **Agency Funds** are custodial in nature (assets equal liabilities) and use the accrual basis of accounting, but do not involve measurement of results of operations.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements (Continued)

The **Private Purpose Trust Fund** is used to account for non-housing activities of the City of Calexico Successor Agency on behalf of the former Community Redevelopment Agency of the City of Calexico (the "Agency").

C. Cash, Cash Equivalents and Investment

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "interfund balances."

F. Inventories

Inventories within the proprietary fund types consist of materials and supplies which are valued at cost on a first-in, first-out basis.

E. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at $10,000. Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	25-50 years
Machinery and Equipment	5-20 years
Licensed vehicles	8 years
Infrastructure	15-65 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.
Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting.

Major outlays, in excess of $50,000, for capital assets and improvements are capitalized as projects are constructed. Interest on construction-related debt incurred during the period of construction for business-type and proprietary funds is capitalized as a cost of the constructed assets. Capital assets acquired under capital leases are capitalized at the net present value of the total lease payments.

For all infrastructure systems, the City estimated the original historical cost, defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition for all property in existence when the City first reported infrastructure assets. The City estimated the original historical cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Estimated original historical costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated original historical cost.

Capital Assets Acquired Under Lease Purchase Contracts

The long-term principal portion of debt on non-proprietary capital assets acquired through lease purchase contracts is accounted for in the government-wide financial statements as “long-term debt – due in more than one year.” A capital asset is recorded at the net present value of the total lease payments in the government-wide financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Compensated Absences

It is the City's policy to accrue annual leave when incurred in the government-wide financial statements and both proprietary and fiduciary funds. In governmental funds, the costs for annual leave that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it.

A liability is recorded for unused sick leave and unpaid vacation balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination benefits, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. The amounts accrued for financial statement purposes represent 100 percent of the vacation pay liability at June 30, 2013. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefit that is estimated will be paid at retirement.

G. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position

H. Net Position

For government-wide and proprietary fund financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Fund Balances (Continued)

For governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long term receivables, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government's highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. On June 29, 2011, the City Council adopted Resolution 2011-77 adopting the fund balance policy authorizing the Finance Director; with concurrence of the City Manager and City Council, to make the determination.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

J. Use of Estimates

The preparation of financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

K. Accounting Changes

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements ("SCA")*. The requirements of this statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on the City's financial statements for the year ended June 30, 2013.

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Accounting Changes (Continued)

GASB has issued Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement became effective for periods beginning after June 15, 2012 and did not have a significant impact on the City's financial statements for year ended June 30, 2013.

GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement combines the authoritative accounting and financial reporting of the FASB and the American Institute of Certified Public Accountants ("AICPA"). The statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. This statement became effective for period beginning after December 15, 2011 and did not have a significant impact on the City's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The requirement of this statement standardizes the presentation of the deferred inflows and outflows of resources and their effects on a government's net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the City was limited to renaming of "Net Assets" to "Net Position".

Note 2 – Cash and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City Treasurer to enhance earnings. The pooled interest earned is allocated to the funds based on average month-end cash balances of the various funds.

The following is a summary of cash and investments at June 30, 2013:

	Government-Wide Statement of Net Assets				
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and investments	$ 22,711,606	$ 14,266,072	$ 36,977,678	$ 13,734,927	$ 50,712,605
Cash and investments with fiscal agents	15,362,980	10,853,320	26,216,300	11,092,398	37,308,698
Total	$ 38,074,586	$ 25,119,392	$ 63,193,978	$ 24,827,325	$ 88,021,303

Note 2 – Cash and Investments (Continued)

Cash, cash equivalents, and investments consisted of the following at June 30, 2013:

Cash and cash equivalents:		
Petty Cash	$	3,850
Demand Deposits		6,728,219
Total cash and cash equivalents		6,732,069
Investments:		
Federal Agency Securities		20,012,825
Local Area Investment Fund (LAIF)		870
Money Market Funds		23,966,841
Total investments		43,980,536
Total cash and investments	$	50,712,605

A. Cash Deposits

The carrying amounts of the City's cash deposits were $6,728,219 at June 30, 2013. Bank balances at June 30, 2013, were $7,136,944. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name is discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits; however, the City has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Note 2 – Cash and Investments (Continued)

B. Investments (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit	1 year	Unlimited	None
State of California Local Agency Investment Fund	N/A	N/A	$40,000,000
Savings Accounts	Unlimited	Unlimited	None
U.S. Treasury Obligations	3 years	Unlimited	None
U.S. Government Agency Issues	3 years	Unlimited	None
Repurchase Agreements	3 years	Unlimited	None

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Municipal Obligations, Prime Quality	None	None	None
Banker's Acceptances, Prime Quality	360 days	None	None
Commercial Paper, Prime Quality	270 days	None	None
Money Market Funds, Prime Quality	N/A	None	None
Investment Contracts	None	None	None
Repurchase Agreements, Approve by Bond Issuer	None	None	None

C. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing shorter term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the City's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Totals	Remaining Maturity 1 Year or Less
Federal Agency Securities	$ 20,012,825	$ 20,012,825
Local Agency Investment Fund	870	870
Held by Bond Trustees:		
Money Market Funds	23,966,841	23,966,841
Totals	$ 43,980,536	$ 43,980,536

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Totals	Minimum Legal Rating	Rating as of Fiscal Year End: AAA	Rating as of Fiscal Year End: Not Rated
Federal Agency Securities	$ 20,012,825	N/A	$ 20,012,825	$ -
Local Agency Investment Fund	870	N/A	-	870
Held by Bond Trustees:				
Money Market Funds	23,966,841	N/A	-	23,966,841
Totals	$ 43,980,536		$ 20,012,825	$ 23,967,711

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the City's total investments.

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Concentration of Credit Risk (Continued)

The following is a listing of the components of the City's investment portfolio:

Investments	Amount Invested	Percentage of Investments
Federal Agency Securities	20,012,825	45.50%
Local Agency Investment Fund	870	0.00%
Money Market Funds	23,966,841	54.49%
Total	$ 43,980,536	100.00%

Note 3 – Notes and Loans Receivable

A. Government-Wide Financial Statements

Under the economic resources focus, long-term notes and loans receivable and the related interest receivable are reported. However, the long-term notes and related interest receivable have been fully reserved as uncollectible on the Government-Wide Statement of Net Position.

B. Fund Financial Statements

Long-term notes and loans receivable were not a *current available resource*. Therefore, in the Fund Financial Statements, deferred revenue reported in the Governmental Funds Balance Sheet was netted against the notes receivable and the related interest receivable.

At June 30, 2013, notes and loans receivable consisted of the following:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Calexico Community Action Council	$ 306,377	$ -	$ -	$ 306,377
De Anza Limited Partnership #1	422,977	-	-	422,977
De Anza Limited Partnership #3	-	5,000,000	-	5,000,000
De Anza Renovation	759,332	-	-	759,332
Victoria Manor Senior Apartments	200,000	-	-	200,000
CFA, Limited Partnership	400,000	-	-	400,000
Calexico II, LP	3,400,000	-	-	3,400,000
HPD Villa Del Este, LP	1,363,887	-	-	1,363,887
Other Housing Loans	11,138,020	-	(332,486)	10,805,534
Total notes and loans receivable	$ 17,990,593	$ 5,000,000	$ (332,486)	$ 22,658,107

Note 3 – Notes and Loans Receivable (Continued)

Calexico Community Action Council

On September 11, 1996, the City issued a promissory note to Calexico Community Action Council to supersede a prior note for development of the Alejandro Rivera Senior Citizens Apartments II. The note bears an interest rate of 6.5% per annum. Annual payments are based on an estimated amount of the profit and shall be due and payable on December 31 of each year until the entire principal amount is paid off. At June 30, 2013, the outstanding balance was $306,377.

De Anza Limited Partnership #1

In 1997, the City loaned De Anza Limited Partnership the amount of $422,977 for the De Anza Hotel construction project. The note is secured by property. The note bears interest at a rate of 3% per annum and is due on the 16th anniversary of the date the project was placed in service. At June 30, 2013, the outstanding balance of the note was $422,977.

De Anza Limited Partnership #3

On February 12, 2012, the City loaned De Anza Limited Partnership $5,000,000 for the construction of a 54-unit apartment complex, subject to the completion of the project. The note is secured by a first assignment of leases and rents, and a deed of trust. The note bears an interest rate of 3% per annum and is due and payable in full in 55 years from the completion of the project. The City received the notice of project completion on December 12, 2012. At June 30, 2013, the outstanding balance of the note was $5,000,000.

De Anza Renovation

On September 21, 2010, the City authorized the De Anza Limited Partnership to borrow up to $760,000 for the De Anza Hotel earthquake rehabilitation and repair project. Borrowings are secured by a first assignment of leases and rents, and a deed of trust. Borrowings bear an interest rate of 3% per annum and are payable from residual receipts in the amount of 40% of the residual receipts and in no event less than $1,000 per year beginning March 30, 2011. At June 30, 2013, the outstanding balance of the note was $759,332.

Victoria Manor Senior Apartments

On October 19, 2010, the City loaned the Housing Authority of the City of Calexico ("Authority") $200,000 in order for the Authority to purchase certain real property. The note is secured by a deed of trust on the property. The note bears an interest rate of 6.25% per annum and is due at the earlier of the commencement of the term for the option agreement included with the note or nine years from the execution of the note. At June 30, 2013, the outstanding balance of the note was $200,000.

CFA, Limited Partnership

On October 21, 2002, the City loaned CFA Limited Partnership $400,000 for affordable housing projects. This note is secured by a deed of trust. The note bears interest at 6% per annum. Principal and accrued interest shall be repaid beginning on April 15, 2004 and each April 15 thereafter until repaid in full. All outstanding principal and accrued interest shall be due in full on the earlier of the eighteenth anniversary of the date of this note or the sale or other transfer of the property. At June 30, 2013, the outstanding balance of the note was $400,000.

Note 3 – Notes and Loans Receivable (Continued)

Calexico II, LP

On November 1, 2006, the Agency loaned Calexico II, LP $3,400,000 for affordable housing projects. The note bears interest at 3% and is payable annually within 90 days following the end of each calendar year, contingent upon the LP realizing a profit. At June 30, 2013, the outstanding balance of the note was $3,400,000.

HPD Villa Del Este, LP

On June 30, 2008, the Agency loaned HPD Villa Del Este, LP $1,363,887 for affordable housing projects. The note is secured by a deed of trust. The note bears interest at 3% per annum. Principal and accrued interest shall be repaid beginning January 1, 2018, for each preceding calendar year in which there was a cash flow balance, and continuing annually on the first day of each and every year thereafter for the remainder of the term in which there is a cash flow balance. At June 30, 2013, the outstanding balance of the note was $1,363,887.

Other Housing Loans

The City and Agency have established various loan programs which assist residents of the City in purchasing and/or rehabilitating their homes. These loans are in the form of fully amortized or deferred loans. The deferred loans are usually due upon sale of property. At June 30, 2013, the outstanding balance of the loans was $10,805,534.

Note 4 – Interfund Transactions

A. Due To and Due From Other Funds

As of June 30, 2013, Due To/From Other Funds was as follows:

	Due from other funds	
Due to other funds	General Fund	Total
Governmental Activities:		
Non-major governmental funds	$ 922,495	$ 922,495
Business-Type Activities:		
Non-major enterprise funds	232,158	232,158
Total	$ 1,154,653	$ 1,154,653

Current interfund balances arise in the normal course of business and to assist funds with negative cash balances at the end of the fiscal year. They are expected to be repaid shortly after the end of the fiscal year.

Note 4 – Interfund Transactions (Continued)

B. Transfers To and From Other Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the transfers is to reimburse a fund that had made expenditures on behalf of another fund.

- Council-approved Measure H funds reimburse the City's General Fund, for expenses, such as Police & Fire regular salaries & overtime, funding new Public Safety positions, Emergency Operations Center Reserve Fund (10% of all Measure H revenue), Summer Recreation Programs, Crossing Guards, Fire Department emergency vehicles & parks maintenance.

- Special Revenue Grant Funds allow for transfers to the General Fund to help offset staffing expenses for regular salaries, overtime, & contract overtime, depending on the established guidelines for each Federal Grant. In addition, State Grants provide similar help in offsetting similar expenses, including Public Safety protective clothing & equipment.

- Transfers were made from the Refuse and Sewer Funds to the Water fund to reimburse various costs during the fiscal year.

- Transfers were made between non-major funds as necessary to properly allocate costs among the funds.

Transfers were used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted revenues to finance various programs accounted for in other funds including amounts provided as subsidies or matching funds for various grant programs, and 3) move unrestricted general fund balance to various funds with deficit fund balances.

Note 5 – Capital Assets

A. Governmental Activities

The following is a summary of capital assets for the governmental activities:

	Balance June 30, 2012	Prior Period Adjustments	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2013
Non-depreciable Assets:						
Land	$ 5,394,203	$ -	$ -	$ -	$ -	$ 5,394,203
Construction in progress	5,812,877	-	175,709	-	(5,113,550)	875,036
Total non-depreciable assets	11,207,080	-	175,709	-	(5,113,550)	6,269,239
Depreciable Assets:						
Building and improvements	20,307,597	-	476,995	-	-	20,784,592
Machinery and equipment	7,370,399	946,300	179,291	-	-	8,495,990
Infrastructure	84,274,144	-	1,588,759	-	5,113,550	90,976,453
Total depreciable assets, at cost	111,952,140	946,300	2,245,045	-	5,113,550	120,257,035
Less accumulated depreciation:						
Building and improvements	(8,204,048)	-	(459,478)	-	-	(8,663,526)
Machinery and equipment	(4,994,475)	-	(581,412)	-	-	(5,575,887)
Infrastructure	(60,320,759)	-	(2,268,317)	-	-	(62,589,076)
Total accumulated depreciation	(73,519,282)	-	(3,309,207)	-	-	(76,828,489)
Total depreciable assets, net	38,432,858	946,300	(1,064,162)	-	5,113,550	43,428,546
Total governmental activities	$ 49,639,938	$ 946,300	$ (888,453)	$ -	$ -	$ 49,697,785

Depreciation expense for capital assets of the governmental activities for the year ended June 30, 2013 was $3,309,207 and was not allocated to any function or program.

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

The following is a summary of capital assets for business-type activities:

	Balance June 30, 2012	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2013
Non-depreciable Assets:					
Land	$ 210,000	$ -	$ -	$ -	$ 210,000
Construction in progress	2,192,338	456,629	-	-	2,648,967
Total non-depreciable assets	2,402,338	456,629	-	-	2,858,967
Depreciable Assets:					
Building and improvements	37,677,518	-	(69,346)	-	37,608,172
Machinery and equipment	7,777,843	19,540	-	-	7,797,383
Infrastructure	16,774,488	329,401	-	-	17,103,889
Total depreciable assets, at cost	62,229,849	348,941	(69,346)	-	62,509,444
Less accumulated depreciation:					
Building and improvements	(18,382,624)	(634,174)	69,346	10,708	(18,936,744)
Machinery and equipment	(3,404,709)	(359,708)	-	-	(3,764,417)
Infrastructure	(4,683,057)	(270,123)	-	(10,708)	(4,963,888)
Total accumulated depreciation	(26,470,390)	(1,264,005)	69,346	-	(27,665,049)
Total depreciable assets, net	35,759,459	(915,064)	-	-	34,844,395
Total business-type activities	$ 38,161,797	$ (458,435)	$ -	$ -	$ 37,703,362

Depreciation expense for capital assets of the business-type activities for the year ended June 30, 2013 was as follows:

Water	$ 801,672
Wastewater	395,892
Airport	66,441
Total depreciation expense	$ 1,264,005

Note 5 – Capital Assets, (Continued)

C. Fiduciary Funds

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Non-depreciable Assets:				
Land	$ 1,439,214	$ -	$ -	$ 1,439,214
Total non-depreciable assets	1,439,214	-	-	1,439,214
Depreciable Assets:				
Building and improvements	3,747,247	-	-	3,747,247
Machinery and equipment	38,665	-	-	38,665
Total depreciable assets, at cost	3,785,912	-	-	3,785,912
Less accumulated depreciation:				
Building and improvements	(731,053)	(73,704)	-	(804,757)
Machinery and equipment	(35,591)	(937)	-	(36,528)
Total accumulated depreciation	(766,644)	(74,641)	-	(841,285)
Total depreciable assets, net	3,019,268	(74,641)	-	2,944,627
Total business-type activities	$ 4,458,482	$ (74,641)	$ -	$ 4,383,841

Note 6 – Long-term Obligations

The following is a summary of long-term obligations for the year ended June 30, 2013:

	Balance July 1, 2012	Prior Period Adjustments	Debt Issued	Debt Retired	Balance June 30, 2013	Classification Due in One Year	Classification Due in more than One Year
Governmental Activities:							
Long-Term Debt:							
LTA Sales Tax Revenue Bonds	$ 15,410,000	$ -	$ -	$ (495,000)	$ 14,915,000	$ 555,000	$ 14,360,000
Bond Premium	85,524	-	-	(8,552)	76,972	-	76,972
Notes Payable - Imperial County	90,000	-	-	-	90,000	90,000	-
Tax Sharing Agreement	76,000	-	-	-	76,000	30,000	46,000
Loan Payable - Wal-Mart	1,466,722	-	-	-	1,466,722	-	1,466,722
Capital Lease Obligations	141,842	946,300	-	(245,733)	842,409	253,313	589,096
Total long-term debt	17,270,088	946,300	-	(749,285)	17,467,103	928,313	16,538,790
Claims Payable	-	762,646	1,076,377	-	1,839,023	179,886	1,659,137
Compensated absences	1,602,790	-	36,540	-	1,639,330	-	1,639,330
Total governmental activities	$ 18,872,878	$ 2,655,246	$ 36,540	$ (749,285)	$ 19,106,433	$ 928,313	$ 18,178,120
Business-Type Activities:							
Long-Term Debt:							
Certificates of Participation	$ 1,350,000	$ -	$ -	$ (665,000)	$ 685,000	$ 685,000	$ -
Lease Revenue Bonds	14,030,000	-	-	-	14,030,000	-	14,030,000
State Revolving Fund Loan	777,510	-	-	(141,412)	636,098	148,129	487,969
Total long-term debt	16,157,510		-	(806,412)	15,351,098	833,129	14,517,969
Compensated absences	371,877	-	1,113	(4,671)	368,319	-	368,319
Total business-type activities	$ 16,529,387	$ -	$ 1,113	$ (811,083)	$ 15,719,417	$ 833,129	$ 14,886,288

Note 6 – Long-term Obligations (Continued)

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification: Due in One Year	Classification: Due in more than One Year
Fiduciary Funds						
Tax Allocation Bonds	$ 39,936,681	$ -	$ (1,114,842)	$ 38,821,839	$ 1,160,000	$ 37,661,839
Total governmental activities	$ 39,936,681	# $ -	$ (1,114,842)	$ 38,821,839	$ 1,160,000	$ 37,661,839

A. Governmental Activities Long-Term Obligations

LTA Sales Tax Revenue Bonds

On May 1, 2012, the Imperial County Local Transportation Authority issued the 2012 LTA Sales Tax Revenue Bonds on behalf of the City in the amount of $15,410,000. The Bonds are being issued to (i) finance certain facilities of the Calexico Unified School District ("CUSD") located in the Merged Central Business District and Residential Redevelopment Project Area (the "Project Area"), (ii) fund a reserve for the Bonds, and (iii) pay certain costs of issuing the Bonds. The Bonds are payable from and secured by the pledged allocable Measure D sales tax revenues of the City.

The issue consists of serial bonds in the amount $15,410,000 payable annually on June 1 of each year, commencing on June 1, 2013 and maturing in 2032 with interest rates ranging from 3% to 4% per annum. Interest payments are due on June 1 and December 1 of each year until the bonds are paid off. At June 30, 2013, the outstanding balance of the bonds was $14,915,000. Total principal and interest remaining on the bond is $21,778,897, payable through 2032.

The annual requirements to amortize the bonds outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 555,000	$ 603,322	$ 1,158,322
2015	575,000	563,925	1,138,925
2016	590,000	546,975	1,136,975
2017	615,000	526,550	1,141,550
2018	635,000	505,525	1,140,525
2019-2023	3,545,000	2,163,325	5,708,325
2024-2028	4,300,000	1,435,675	5,735,675
2029-2031	4,100,000	518,600	4,618,600
Total	$ 14,915,000	$ 6,863,897	$ 21,778,897

Note Payable – Imperial County

In July 2002, the City entered into an agreement with the Imperial County Local Agency Formation Commission ("LAFCO") in order to offset the "negative fiscal impacts," as determined by LAFCO, to the County as a result of the approval of the Calexico Annexation for the International Center. The City agreed to pay the County $190,000 interest free, payable solely from property tax revenues upon annexation of the area. At June 30, 2013, the outstanding balance was $90,000.

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities Long-Term Obligations (Continued)

Tax Sharing Agreement – Imperial County

In June 2003, the City entered into an agreement with LAFCO in order to offset the "negative fiscal impacts," as determined by LAFCO, to the County as a result of the approval of the Calexico Annexation No. CX 3-01. The City agreed to pay the County $291,000 interest free, payable solely from the property tax revenues upon annexation of the area. At June 30, 2013, the outstanding balance was $76,000.

Loan Payable – Wal-Mart Stores, Inc.

On September 24, 1992, the City entered into a development agreement with Wal-Mart Stores, Inc. (Wal-Mart). Wal-Mart paid all direct and indirect costs of the public improvements. The total cost of these improvements was $2,515,714. In accordance with the agreement, the City will reimburse Wal-Mart for the construction of the improvements. At June 30, 2013, the outstanding liability was $1,466,722. However, the City is currently in litigation with Wal-Mart and has frozen all payments to Wal-Mart.

Interest is accrued on the unpaid balance of the reimbursement at the rate of 5% per annum, from the date that the City or its agent receives its first quarterly reimbursement payment from the State of California with regard to sales at or from the Wal-Mart property. The City will pay the reimbursement to Wal-Mart in quarterly installments beginning 3 days after the City or its agent receives its first quarterly reconciliation payment and continuing for each quarter thereafter, until the reimbursement and all accrued interest on the reimbursement have been paid in full. The amount of each quarterly payment to Wal-Mart will equal 50% of the sales tax revenue that the City receives with regard to the applicable quarter based on sales at or from the Wal-Mart Property.

Sales tax revenue from the project, which is based on sales at or from the Wal-Mart property, will be deemed to include sales which occur on the Wal-Mart property and sales that occur elsewhere, if they are initiated on the Wal-Mart property and if the sites of the sale are in the City's municipal limits. In addition, sales tax revenue will be deemed to include only those funds that are available to the City's general fund and will not include payments to the City that are required by the laws of the State of California or the ordinances of the County, to be expended on specific purposes other than the reimbursement. If the Sales and Use Tax is repealed or modified and if the City's part of the sales tax revenue that is based on sales at or from the Wal-Mart property is totally or partially replaced with another source of revenue, then the City's obligation to pay the reimbursement will continue and the limitations on the City's obligation to pay the reimbursement will be deemed modified and will thereafter be based on any form of tax or revenue which the City receives with regard to the applicable quarter, in total or partial replacement of sales or use tax revenue. In addition, in the event of any such change, the parties will fully cooperate with one another in amending the agreement, as it is necessary or appropriate to facilitate the timely and full payment of the reimbursement.

At Wal-Mart's request, the City will make, execute and deliver to Wal-Mart its negotiable promissory note evidencing its obligation to pay the reimbursement. By making, executing, and delivering to Wal-Mart its promissory note, based on the opinion of City counsel, the City will not be deemed to waive any rights it has as provided in the agreement.

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities Long-Term Obligations (Continued)

Capital Lease Obligations

The City entered into various capital lease agreements to finance office equipment and police vehicles. The leases have been classified as capital lease obligations. The gross amount of assets acquired under capital leases is $1,368,576. The debt requirements due under the terms of all the leases are as follows

Fiscal Years Ending June 30,	Amount
2014	$ 279,037
2015	213,033
2016	204,862
2017	204,862
Total Minimum Lease Payments	901,794
Less Amount Representing Interest	(59,385)
Present Value of Minimum Lease Payments	$ 842,409

Claims Payable

Since its inception, the California Joint Powers Insurance Authority "the Authority," has operated under a retrospective funding model for its liability and workers' compensation programs. A change to the funding model was adopted in 2010 that will be fully implemented following the end of the 2012-2013 coverage period. During the transition from the retrospective funding model to the prospective funding model, retrospective deposit payments have been deferred. The unpaid portion of all retrospective adjustments on coverage periods up to and including 2009-2010 have been consolidated into a single aggregate retrospective balance. In accordance with the Retrospective Deposit Payment Policy, payments are scheduled to resume beginning July 1, 2013 for the Liability program and July 1, 2015 for the Workers' Compensation program. Payments consist of a single annual payment due at the beginning of the fiscal year, on July 1st. The City has elected a 6 year payment option for both Liability and Workers' Compensation program with interest rate of 2.625%. At June 30, 2013, the City's outstanding balance was $1,839,023.

The scheduled payments for the retrospective deposit liability at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 179,886	$ 26,634	$ 206,520
2015	170,697	22,828	193,525
2016	266,987	34,439	301,426
2017	259,075	28,320	287,395
2018	262,838	22,426	285,264
2019-2022	699,541	33,244	732,785
Total	$ 1,839,023	$ 167,892	$ 2,006,915

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities Long-Term Obligations (Continued)

Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities has been accrued and amounts to $1,639,330 at June 30, 2013. There is no fixed payment schedule for compensated absences.

B. Proprietary Activities Long-Term Obligations

Certificates of Participation Payable

On June 1, 1997, the City, through the Agency, issued $7,760,000 Lease Revenue Refunding Bonds Issue of 1997 Certificates of Participation to advance refund outstanding Water and Wastewater Improvement Project Certificates of Participation. The net proceeds were used to purchase government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the Water and Wastewater Improvement Project Certificates of Participation. As a result, the Water and Wastewater Improvement Project Certificates are considered to be refunded and the liability for those certificates has been removed from the financial records of the City.

Interest on the Lease Revenue Refunding Bonds Issue of 1997 Certificates of Participation is payable semi-annually beginning November 1, 1997 with interest rates ranging from 3.0% to 5.0% per annum. Principal payments ranging from $360,000 to $685,000 are due annually beginning November 1, 1998. At June 30, 2013, the outstanding balance on the 1997 Certificates of Participation was $1,685,000.

The future annual minimum principal and interest requirements due in the issue as of June 30, 2013 are as follows:

Fiscal Years Ending June 30,	Portion of Lease Representing Principal	Portion of Lease Representing Interest	Total Payment	Portion of the Lease Payment Represented By: Water Enterprise Fund Principal	Water Enterprise Fund Interest	Wastewater Enterprise Fund Principal	Wastewater Enterprise Fund Interest
2014	$ 685,000	$ 18,828	$ 703,828	$ 483,541	$ 13,291	$ 201,459	$ 5,537
Total	$ 685,000	$ 18,828	$ 703,828	$ 483,541	$ 13,291	$ 201,459	$ 5,537

Lease Revenue Bonds - 2007

On January 1, 2007, the City, through the Agency issued $14,030,000 in Water System Lease Revenue Bonds of 2007. Proceeds from the sale of the bonds were used to provide funds to finance certain capital improvements to the City's water system, fund a reserve account for the bonds, fund capitalized interest, and pay certain costs of issuance of the bonds. The bonds will be payable solely from certain lease payments to be made by the City to the Agency pursuant to a lease agreement by and between the City and the Agency. The lease payments are special limited obligations of the City payable solely from and secured by a pledge of and first lien on water revenues. The total outstanding principal balance on the bonds as of June 30, 2013 was $14,030,000.

The City has pledged a portion of future lease revenues from the Agency to repay the 2007 Lease Revenue Bonds. Annual principal and interest payments on the notes are expected to require 100% of future lease revenues. Total principal and interest remaining on the bond is $22,990,135, payable through 2037.

Note 6 – Long-term Obligations (Continued)

B. Proprietary Activities Long-Term Obligations (Continued)

Lease Revenue Bonds – 2007 (Continued)

The annual debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 614,392	$ 614,392
2015	370,000	607,732	977,732
2016	385,000	594,046	979,046
2017	400,000	579,620	979,620
2018	415,000	564,335	979,335
2019-2023	2,330,000	2,554,007	4,884,007
2024-2028	2,925,000	1,937,828	4,862,828
2029-2033	3,660,000	1,189,561	4,849,561
2034-2037	3,545,000	318,614	3,863,614
Total	$ 14,030,000	$ 8,960,135	$ 22,990,135

State Revolving Fund (SRF) Loan

The City received loans through the State of California Environmental Protection Agency, Water Resources Control Board, Division of Clean Water Programs, for the expansion of the current secondary treatment capacity of the wastewater treatment facilities from a total of 2.7 million gallons-per-day (mgd) to a total of 4.3 mgd. The Division of Clean Water Programs established the State Revolving Fund budget and construction grant amount at $4,589,609, the maximum loan amount. The City subsequently applied for refinancing of the loan to a zero-interest, 20 year, revolving loan requiring a 16 2/3% matching share, which was approved.

The principal balance outstanding as of June 30, 2013, was $636,098 after discounting the loan at the City's borrowing rate of 4.75%. The first annual payment was due and paid on October 3, 1997 and the final maturity date is October 3, 2016.

Year Ending June 30,	Principal	Interest	Total
2014	$ 148,129	$ 30,215	$ 178,344
2015	155,166	23,178	178,344
2016	162,536	15,808	178,344
2017	170,267	8,076	178,343
Total	$ 636,098	$ 77,277	$ 713,375

Compensated Absences

In proprietary funds, the liability for vested and unpaid compensated absences (accrued vacation and sick pay) is reported in the funds as the benefits vest and are earned. The compensated absences accrued in the proprietary funds amount to $368,319 at June 30, 2013. There is no fixed payment schedule for compensated absences.

Note 6 – Long-term Obligations (Continued)

C. Fiduciary Funds Long-Term Debt

Tax Allocation Refunding Bonds

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification: Due in One Year	Classification: Due in more than One Year
Tax Allocation Bonds - 2000	$ 695,000	$ -	$ (15,000)	$ 680,000	$ 15,000	$ 665,000
Tax Allocation Bonds - 2003A	13,430,000	-	(380,000)	13,050,000	845,000	12,205,000
Tax Allocation Bonds - 2003B	440,000	-	(440,000)	-	-	-
Tax Allocation Bonds - 2003C	6,820,000	-	(250,000)	6,570,000	260,000	6,310,000
Tax Allocation Refunding Bonds - 2006	9,830,000	-	(40,000)	9,790,000	40,000	9,750,000
Tax Allocation Bonds - 2011	7,120,000	-	-	7,120,000	-	7,120,000
Bond Discount	(37,665)	-	1,794	(35,871)	-	(35,871)
Tax Allocation Bonds - 2011 School District	1,815,000	-	-	1,815,000	-	1,815,000
Bond Discount	(175,654)	-	8,364	(167,290)	-	(167,290)
Total Tax Allocation Bonds	$ 39,936,681	$ -	$ (1,114,842)	$ 38,821,839	$ 1,160,000	$ 37,661,839

2000 Tax Allocation Bonds

On December 10, 2000, the City issued the 2000 Tax Allocation Bonds in the amount of $10,000,000. The proceeds from the issue were used to pay the issuance costs, fund a reserve account, and finance various projects within the Agency's Merged Central Business District and Residential Redevelopment Project Area. The bonds are secured by a pledge of and lien on tax increment revenues.

Interest payments are payable on August 1 and February 1 of each year, commencing on August 1, 2001. The bonds consist of $150,000 of serial bonds due August 1, 2001, at an interest rate of 3.85% and $9,850,000 of term bonds with principal maturing on August 1 beginning 2002 and ending in 2030. Interest rates on the term bonds vary from 4.25% to 5.50% per annum. Annual debt service principal requirements range from $10,000 to $1,780,000. During the year, principal payments of $15,000 were made. The outstanding balance of the bonds in the amount of $680,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2013, the outstanding balance of the bonds was $680,000. The total principal and interest remaining to be paid on the bond is $1,037,975, payable through 2026.

The annual debt service requirements for the 2000 Tax Allocation Bonds at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 15,000	$ 35,920	$ 50,920
2015	25,000	34,900	59,900
2016	25,000	33,625	58,625
2017	25,000	32,350	57,350
2018	25,000	31,040	56,040
2019-2023	125,000	135,049	260,049
2024-2026	440,000	55,091	495,091
Total	$ 680,000	$ 357,975	$ 1,037,975

Note 6 – Long-term Obligations (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2003A Tax Allocation Bonds

On June 1, 2003, the City issued the 2003A Tax Allocation Bonds in the amount of $16,120,000. The proceeds from the issue were used to pay the issuance costs, fund a reserve account, and defease the Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds Issues of 1993A, 1995, and 1995 School District Bonds in the amount of $5,000,000, $8,980,000 and $1,435,000, respectively. The bonds are secured by a pledge of and lien on property tax revenues.

Principal payments are due annually on August 1, commencing on August 1, 2004, with the final payment due in the year 2025. Interest is payable semi-annually every August 1 and February 1, commencing February 1, 2004. Interest rates range from 1.90% to 4.00% per annum.

The bonds are being issued on a parity basis with the 2003B Tax Allocation Bonds and the 2000 Tax Allocation Bonds in the amount of $3,275,000 and $10,000,000, respectively. The outstanding balance of the bonds in the amount of $13,430,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2013, the outstanding balance of the bonds was $13,430,000. Total principal and interest remaining to be paid on the bond is $18,295,213, payable through 2025.

The annual debt service requirements for the 2003A Tax Allocation Bonds at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 845,000	$ 607,288	$ 1,452,288
2015	870,000	575,100	1,445,100
2016	905,000	539,600	1,444,600
2017	950,000	497,750	1,447,750
2018	990,000	449,250	1,439,250
2019-2023	5,765,000	1,429,625	7,194,625
2024-2025	2,725,000	137,875	2,862,875
Total	$ 13,050,000	$ 4,236,488	$ 17,286,488

2003B Tax Allocation Bonds

On June 1, 2003, the City issued $3,275,000 of 2003B Tax Allocation Refunding Bonds. The proceeds from the issue were used to pay issuance costs, fund a reserve account, and defease the 1993 B Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds in the amount of $2,965,000. The bonds are secured by a pledge of and lien on tax revenues.

Principal payments are due annually on August 1, commencing on August 1, 2004, with the final payment due in the year 2013. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. The bonds bear an interest rate of 4.22% per annum.

Note 6 – Long-term Obligations (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2003B Tax Allocation Bonds (Continued)

The bonds are being issued on a parity basis with the 2003A Tax Allocation Bonds and the 2000 Tax Allocation Bonds in the amount of $16,120,000 and $10,000,000, respectively. The outstanding balance of the bonds in the amount of $440,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2013, the outstanding balance of the bonds was $0.

2003C Tax Allocation Bonds

On December 9, 2003, the City issued $8,600,000 of 2003C Tax Allocation Refunding Bonds. The purpose of the bonds is to further the development of the Agency's project area through funding of various capital projects. The bonds are payable solely from tax revenues allocated to the Agency.

The issue consists of serial bonds in the amount $3,755,000 payable annually on August 1 of each year, commencing on August 1, 2004 and maturing in 2018 with interest rates ranging from 2.00% to 4.50%. The issue also consists of term bonds in the amount of $4,845,000 payable on August 1, 2028 with an interest rate of 5.00%. The term bonds will be redeemed through sinking fund requirements beginning August 1, 2019. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. . The outstanding balance of the bonds in the amount of $6,820,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2013, the outstanding balance of the bonds was $6,570,000. Total principal and interest remaining to be paid on the bonds is $9,645,378, payable through 2029.

The annual requirements to amortize the 2003A Tax Allocation Bonds outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 260,000	$ 312,215	$ 572,215
2015	270,000	300,940	570,940
2016	280,000	288,565	568,565
2017	290,000	276,320	566,320
2018	305,000	263,513	568,513
2019-2023	1,780,000	1,076,950	2,856,950
2024-2028	2,705,000	539,875	3,244,875
2029	680,000	17,000	697,000
Total	$ 6,570,000	$ 3,075,378	$ 9,645,378

Note 6 – Long-term Obligations(Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2006 Tax Allocation Refunding Bonds

On December 1, 2006, the City issued $9,995,000 of 2006 Tax Allocation Refunding Bonds. The purpose of the bonds is to partially refund the 2000 Tax Allocation Bonds. The bonds are payable solely from the tax revenues allocated to the Agency.

The issue consists of serial bonds in the amount $9,995,000 payable annually on August 1 of each year, commencing on August 1, 2006 and maturing in 2031 with interest rates ranging from 3.50% to 4.50% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. The outstanding balance of the bonds in the amount of $9,830,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2013, the outstanding balance of the bonds was $9,790,000. Total principal and interest remaining on the bond is $15,979,726, payable through 2031.

The annual requirements to amortize the 2006 Tax Allocation Bonds outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 40,000	$ 417,323	$ 457,323
2015	45,000	415,779	460,779
2016	45,000	414,091	459,091
2017	45,000	412,404	457,404
2018	50,000	410,404	460,404
2019-2023	270,000	2,032,431	2,302,431
2024-2028	4,220,000	1,740,636	5,960,636
2029-2031	5,075,000	346,658	5,421,658
Total	$ 9,790,000	$ 6,189,726	$ 15,979,726

On February 1, 2011, the Agency issued the 2011 Tax Allocation Bonds in the amount of $7,120,000. The Bonds are being issued to (i) finance certain redevelopment activities of the Agency within the Merged Central Business District and Residential Redevelopment Project Area (the “Project Area”), (ii) fund a reserve for the Bonds, and (iii) pay certain costs of issuing the bonds. The Bonds are payable from and secured by the tax revenues to be derived from the Project Area and certain funds and accounts held under the Agency.

The issue consists of serial bonds in the amount $7,120,000 payable annually on August 1 of each year, commencing on August 1, 2011 and maturing in 2034 with interest rates ranging from 7.25% to 7.50% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. The outstanding balance of the bonds in the amount of $7,120,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2013, the outstanding balance of the bonds was $7,120,000. Total principal and interest remaining on the bond is $17,132,976, payable through 2033.

Note 6 – Long-term Obligations (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2011 Tax Allocation Bonds (Continued)

The annual debt service requirements for the 2011 Tax Allocation Bonds at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 516,200	$ 516,200
2015	-	516,200	516,200
2016	-	516,200	516,200
2017	-	516,200	516,200
2018	-	516,200	516,200
2019-2023	-	2,581,000	2,581,000
2024-2028	-	2,581,000	2,581,000
2029-2033	4,730,000	2,183,338	6,913,338
2034	2,390,000	86,638	2,476,638
Total	$ 7,120,000	$ 10,012,976	$ 17,132,976

2011 Tax Allocation Bonds – School District

On May 1, 2011, the Agency issued the 2011 Tax Allocation Bonds in the amount of $1,815,000. The Bonds are being issued to (i) finance certain facilities of the Calexico Unified School District ("CUSD") located in the Merged Central Business District and Residential Redevelopment Project Area (the "Project Area"), (ii) fund a reserve for the Bonds, and (iii) pay certain costs of issuing the Bonds. The Bonds are payable from and secured by the tax revenues to be derived from the Project Area and certain funds and accounts held under the Agency.

The issue consists of serial bonds in the amount $1,815,000 payable annually on August 1 of each year, commencing on August 1, 2011 and maturing in 2034 with interest rates ranging from 6.40% to 6.60% per annum. Interest payments are due on August 1 and February 1 of each year until the bonds are paid off. The outstanding balance of the bonds in the amount of $1,815,000 was transferred to the Successor Agency on January 31, 2012 due to the dissolution of the Agency. At June 30, 2013, the outstanding balance of the bonds was $1,815,000. Total principal and interest remaining on the bond is $3,858,500 payable through 2033.

Note 6 – Long-term Obligations (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

2011 Tax Allocation Bonds – School District (Continued)

The annual debt service requirements for the 2011 Tax Allocation Bonds – School District at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 119,060	$ 119,060
2015	-	119,060	119,060
2016	-	119,060	119,060
2017	-	119,060	119,060
2018	5,000	119,060	124,060
2019-2023	5,000	593,540	598,540
2024-2028	355,000	558,980	913,980
2029-2033	1,300,000	290,730	1,590,730
2034	150,000	4,950	154,950
Total	$ 1,815,000	$ 2,043,500	$ 3,858,500

D. Conduit Debt

In 2005, the City issued special assessment tax bonds under the State Improvement Acts of 1911 and 1915 through the Community Facilities District No. 2005-1 of the City of Calexico ("District"), which was established by the City pursuant to a bond indenture dated July 1, 2006. The bonds are being issued to finance certain public facilities and capital impact fees relating to a residential development within the District, fund an escrow account, fund a reserve account for the bonds, fund 18 months of capitalized interest on the bonds, and pay the cost of issuance of the bonds. These bonds are payable only from special assessment collections from the property owners. The City is not liable for repayment in any manner. The City is only acting as an agent for the property owners and bondholders in collecting and applying the special assessments toward bond debt service. The bonds are, therefore, not reported as a liability in the accompanying basic financial statements. The special assessment tax bonds totaling $13,395,000 at June 30, 2013 were held by the Agency.

Note 7 – Risk Management

A. California Joint Powers Insurance Authority

The City is a member of the California Joint Powers Insurance Authority (Authority) and obtains its insurance from the Authority. The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

General Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $30,000 to $750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of $750,000 up to the reinsurance attachment point of $5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from $5 million to $10 million are paid under a reinsurance contract subject to a $2.5 million annual aggregate deductible. The $2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from $10 million to $15 million are paid under two reinsurance contracts subject to a combined $3 million annual aggregate deductible. The $3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from $15 million up to $50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is $50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of $25 million per occurrence. This $35 million subsidence sub-limit is composed of (a) $5 million retained within the pool's SIR, (b) $10 million in reinsurance and (c) $10 million in excess insurance. The excess insurance layer has a $10 million annual aggregate.

Note 7 – Risk Management (Continued)

A. California Joint Powers Insurance Authority (Continued)

Workers' Compensation

The City also participates in the workers' compensation pool administered by the Authority. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $50,000 to $100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of $100,000 up to the reinsurance attachment point of $2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from $2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to $2 million. Coverage from $2 million to $5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from $5 million to $10 million are pooled among members.

Pollution Legal Liability Insurance

The City of Calexico participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Calexico. Coverage is on a claims-made basis. There is a $50,000 deductible. The Authority has a limit of $50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a $10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City of Calexico participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Calexico property is currently insured according to a schedule of covered property submitted by the City of Calexico to the Authority. City of Calexico property currently has all-risk property insurance protection in the amount of $36,632,571. There is a $5,000 deductible per occurrence except for non-emergency vehicle insurance which has a $1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The City of Calexico purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Calexico property currently has earthquake protection in the amount of $20,595,581. There is a deductible of 5% per unit of value with a minimum deductible of $100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Note 7 – Risk Management (Continued)

A. California Joint Powers Insurance Authority (Continued)

Crime Insurance

The City of Calexico purchases crime insurance coverage in the amount of $3,000,000 with a $2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance

The City of Calexico further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Calexico according to a schedule. The City of Calexico then pays for the insurance. The insurance is arranged by the Authority.

B. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2013-14.

Note 8 – Retirement Benefits

A. California Public Employees' Retirement Plan (PERS)

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

The City pays both the employee and employer contributions for active members. Active members are required by State statute to contribute 7% if a Miscellaneous member, and 9% if a Safety member, of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The City's employer required contribution rate was 5.728% for Miscellaneous employees and 27.103% for Safety employees for the current fiscal year. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining units.

Note 8 – Retirement Benefits (Continued)

A. California Public Employees' Retirement Plan (PERS) (Continued)

Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost of $1,543,313 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% for miscellaneous employees and safety employees depending on age, service, and type of employment, and (c) 3 % per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and current service unfunded liability into a single initial unfunded liability. The amortization period at June 30, 2010, was 30 years for miscellaneous employees and 15 years for safety employees for the prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 1,302,384	100%	$ -
6/30/2012	1,563,630	100%	-
6/30/2013	1,543,313	100%	-

Schedule of Funding Progress

As of the actuarial valuation date of June 30, 2013, the City's miscellaneous and safety plan were part of the CalPERS risk pool with employers having less than 100 active plan members. As a result, information relating to the City is not available.

B. Deferred Compensation Plan

The City offers a deferred compensation plan for regular employees created in accordance with Internal Revenue Code Section 457. Under the terms of this plan, employees may defer amounts of income up to a maximum of $17,000 per year or one-hundred percent (100%) of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

Federal legislation, (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

Note 9 – Other Postemployment Benefits

Plan Description

The City currently provides health benefits to 22 retirees. In addition, 154 active employees are earning service credit for future retiree health benefits. Employees hired on or after July 1, 2008 except members of the Calexico Police Officers' Association are not eligible for retiree health benefits. Employees hired prior to May 18, 1993 retiring from the City under PERS are eligible for City paid retiree medical and dental benefits for themselves and eligible dependents. The retiree is responsible for a monthly contribution equal to $120. Employees hired on or after May 18, 1993 are eligible for City paid retiree medical benefits for themselves only to the retiree's attainment of age 65. Eligibility requires retirement from the City under PERS with at least 20 years of service. Retirees with less than 30 years of service at retirement are required to pay a monthly contribution. The retiree may also elect to cover and pay for eligible dependents based on the COBRA rate. Section V of the report details the plan provisions.

Funding Policy

Currently, the City accounts for retiree health benefits on a pay-as-you-go basis. The pay-as-you-go or employer payment amount for the 2013 fiscal year was $565,152.

As of the valuation date, the City does not have any funds eligible as plan assets. Assets cannot be considered as employer contributions or plan assets unless they are segregated for exclusive use for retiree health benefit payments and are secured from creditors of the City. The unfunded actuarial accrued liability at July 1, 2012 was $23,798,907.

Annual OPEB Cost

For the year ended June 30, 2013, the City's Annual Required Contribution is $2,336,821. This amount is comprised of the present value of benefits accruing in the fiscal year (normal cost) plus a 30-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability) at July 1, 2012. The net OPEB obligation at the end of the fiscal year will reflect any actual retiree health contributions and any GASB eligible pre-funding amounts made during the period.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	Beginning Balance Net OPEB Obligation	Annual Required Contributions	Actual Contributions	Amortization of Net OPEB Obligation	Accrued Interest	Ending Balance Net OPEB Obligation
2010-2011	$ 2,921,819	$ 1,712,200	$ (258,306)	$ (97,394)	$ 131,482	$ 4,409,801
2011-2012	4,409,801	1,744,208	(295,675)	(146,993)	220,490	5,931,831
2012-2013	5,931,831	2,336,821	(565,152)	(371,139)	237,273	7,569,634

Note 9 – Other Postemployment Benefits (Continued)

Most Recent Actuarial Study – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	Unfunded Actuarial Liabilities as Percentage of Covered Payroll
7/1/2012	$ -	$ 23,798,907	$ 23,798,907	0.00%	$ 11,252,680	211.50%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2012. In that valuation, the Projected Unit Credit (PUC) with service prorate cost method was used. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability, or death. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), assuming the City continues on a pay-as-you-go basis, and an annual CalPERS minimum required contribution increase trend rate of 5% initially. Both assumptions reflect an implicit 2.8% percent general inflation assumption. The City's unfunded actuarial accrued liability is being amortized over an initial 30 years using a level-dollar basis. The remaining amortization period as of July 1, 2012 is assumed to be 26 years.

Note 10 – Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property valuations – are established by the Assessor of the County of Imperial (County) for the secured and unsecured property tax roll; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIIIA of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), property is assessed at 100 percent of purchase price or value in 1978 whichever is later. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent per year. However, increases to current value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax levies – are limited to 1 percent of full value which results in a tax rate of $1.00 per $100 assessed valuation, under the provision of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Note 10 – Property Taxes (Continued)

Tax levy dates – are attached annually on January 1 of the preceding fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property and are not relieved by subsequent renewal or change in ownership.

Tax collections – are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility tax rolls constitute a lien against the property and may be paid in two installments; the first installment is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second installment is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Penalties are imposed by the County for late payment.

Tax levy apportionments – Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented by the total City-wide levy compared to the total County for the three years prior to fiscal year 1979.

Property tax administration fees – the State's Fiscal Year 1990-91 Budget Act authorized counties to collect administrative fees for collection and distribution of property taxes. Property taxes are recorded net of administrative fees withheld during the fiscal year.

Note 11 – Joint Powers Agreement – Calexico Special Financing Authority

The Calexico Special Financing Authority ("Authority") was formed by a Joint Exercise of Powers Agreement (Joint Powers Agreement), dated as of June 20, 1996, by and between the City and the Heffernan Memorial Hospital District ("District"). The Authority is a public entity separate from the City and District. The Authority was created for the purpose of providing financing for local agencies, including the District and the City; and it is authorized pursuant to the Bond Law to issue bonds for the purpose of providing such financing. The debts, liabilities, and obligations of the Authority do not constitute debts, liabilities, or obligations of either the City or the District.

The Authority is administered by a commission (Commission) which consists of four members, each serving in his or her individual capacity as a member of the Commission. Two members of the Commission are appointed by the Mayor of the City, and two members of the Commission are appointed by the governing body of the District. All actions taken by the Authority require the affirmative vote of not less than three members of the Commission.

The Joint Powers Agreement continues in full force and effect until December 31, 2016, unless extended or earlier terminated. The date of the final maturity of the bonds is January 1, 2018, but the Joint Powers Agreement may not terminate or be terminated until the date on which all the bonds and other indebtedness issued or to be issued by the Authority shall have been retired or full provision shall have been made for their retirement. The Joint Powers Agreement provides, among other things, that the City shall not be liable to the District or the Hospital on account of the City's participation in the Authority; that the City shall not be required to make any contributions, payments, or advances of public funds to the Authority.

In the Joint Powers Agreement, the City and the District agree to comply with all provisions of law relating to the one half percent special district sales tax; the City specifically agrees to take the steps necessary to continue to levy and collect the sales tax for the use thereof by the District; and the District agrees to take any and all actions required to maintain its status as a health care district under the State Constitution and laws of the State.

Note 11 – Joint Powers Agreement – Calexico Special Financing Authority (Continued)

The Authority has no assets other than the Trust Estate and no income other than the tax revenues. Moreover, any assets acquired or income received by it in the future (other than assets that would be part of the Trust Estate and income that would constitute the revenues) would be pledged to the payment of the principal of or interest on the bonds.

On June 21, 2001, the Authority issued the Refunding Revenue Bonds, Series 2001 to advance refund the previously issue Revenue Bonds, Series 1996.

The bonds were issued to provide funds to purchase certain obligations of the District and to establish a reserve fund for the bonds. The bonds are authorized pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 and are issued pursuant to a Trust Agreement dated October 29, 1996 by and between the Authority and State Street Bank and Trust Company of California, N.A. (Trustee). The bonds are payable from the ½ cent sales tax authorized to be imposed and collected within the corporate boundaries of the City for exclusive use of the District. The District has pledged and assigned its rights in the sales tax revenue to the Authority; and the Authority, in turn, has pledged and assigned its rights therein to the Trustee for the benefit of the owners of the bonds.

The bonds are special limited obligations of the Authority, payable from, and secured as to the payment of the principal and interest on the bonds in accordance with their terms and the terms of the trust agreement, solely from the Trust Estate. The bonds do not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal or interest on the bonds except from the Trust Estate. Neither the State of California nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal or interest on the bonds. Neither the faith and credit (except to the extent of the sales tax revenues) nor the taxing power of the State of California or any public agency thereof or any member of the Authority is pledged to the payment of the principal or interest on the bonds, and neither the principal or interest on the bonds constitutes a debt, liability or obligation of the State of California or any public agency (other than the Authority) or any member of the Authority.

Note 12 – Commitments and Contingencies

A. Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. Liabilities for the probable amounts of loss associated with these claims are covered through the California Joint Powers Insurance Authority.

On September 24, 1992, the City entered into a development agreement with Wal-Mart Stores, Inc. (Wal-Mart). Wal-Mart paid all direct and indirect costs of the public improvements. The total cost of these improvements was $2,515,714. In accordance with the agreement, the City will reimburse Wal-Mart for the construction of the improvements. At June 30, 2013, the outstanding liability was $1,466,722. However, the City is currently in litigation with Wal-Mart and has frozen all payments to Wal-Mart. Please see Note 6A for further information.

B. Proposition 218

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments and fees were imposed may be significantly impaired. At this time it is uncertain how Proposition 218 will affect the City's ability to maintain or increase the revenue it receives from taxes, assessments and fees.

Note 12 – Commitments and Contingencies (Continued)

C. Grants

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors and their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

D. Construction

Various construction projects were in progress at June 30, 2013 with an estimated cost to complete of approximately $10,711,278 planned for in all fund types.

Note 13 – Pollution Remediation Obligations

In accordance with GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, the City is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as liabilities or, if appropriate, capitalized when goods and services are acquired if one of the following five specified obligating events occurs:

- The City is compelled to take pollution remediation action because of an imminent endangerment;
- The City violates a pollution prevention-related permit or license;
- The City is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs;
- The City is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation;
- The City commences or legally obligates itself to commence pollution remediation.

At June 30, 2013, the City identified the following sites that met one of the above obligating events:

Gun Club Property

The City has a potential liability under the California Environmental Quality Act (CEQA) to clean up the Gun Club property, which was sold to the Redevelopment Agency by the City during Fiscal Year 2009 in order to increase the Agency's supply of low and moderate income housing. The property has been exposed to gun powder from the firing range. The City hired a consultant to determine whether a site clean-up was necessary. The report was completed February 11, 2011 and the results are conclusive. The soil should be removed and disposed of offsite.

The City purchases pollution and remediation legal liability insurance to cover pollution legal liability, remediation legal liability, legal defense expense and contingent transportation coverage from Southern California Joint Powers Insurance Authority. The City has forwarded the environmental site assessment report to the Southern California Joint Powers Insurance Authority for review and assessment. At June 30, 2013, the City had not recorded a pollution remediation obligation because the amount of the City's liability could not be estimated at the date of the report. Management expects any liability amounts to be recovered by the insurance.

Note 14– Self-Funded Medical, Dental and Vision Plan

The City of Calexico provides its employees, eligible retirees and elected officials with an option to participate in a self-funded employer sponsored health plan. In this plan the City takes on the financial risk of funding the plan from its assets and is responsible for managing and administering the plan.

The City administers the plan through a third party administrator (TPA) and purchases excess insurance coverage to protect itself from extreme claims and utilization levels. This excess insurance is called employer stop-loss (ESL) coverage. In addition to covering the potential losses inherent with any group benefit plan, the City's ESL coverage provides protection for the entire covered group, reimbursement for medical expenses above a specified dollar amount of $75,000, and cover for catastrophic and high dollar claims such as transplants, leukemia, renal failure and premature births.

The City provides a network of Exclusive Provider Organization (EPO) participants and a Preferred Provider Organization (PPO) network for eligible retirees and Police Officers Association (POA) members. The City Council eliminated employees hired after 2008 from the retiree coverage, except for POA members who continue to be covered as a condition specified in the POA Memorandum of Understanding (MOU).

Note 15 – Other Required Disclosures

A. Deficit Fund Balances/Net Position

At June 30, 2013, the following funds had a fund balances (deficit) or unrestricted net position (deficit), which will be eliminated through the reduction in future expenditures and/or the use of new funding sources:

Fund	Fund Type	Deficit
Traffic Safety	Special Revenue Fund	$ (9,027)
New River	Special Revenue Fund	(57,266)
Park Grants	Special Revenue Fund	(7,799)
Operation Stonegarden	Special Revenue Fund	(145,008)
Fire Development	Capital Projects	(51,972)
Consair LLC	Capital Projects	(100,867)
Mega Park	Capital Projects	(57)

Note 16 – Fund Balance Classification

The City's fund balances at June 30, 2013 are tabulated below by fund types:

	Major Funds					
	General Fund	LTA Measure D Special Revenue Fund	HOME Revolving Loan Special Revenue Fund	LTA Debt Service Fund	Other Governmental Fund	Total
Non-spendable	$ 2,824	$ -	$ -	$ -	$ 1,851	$ 4,675
Total non-spendable	2,824	-	-	-	1,851	4,675
Restricted:						
Measure H	2,036,776	-	-	-	-	2,036,776
Debt Service Payments	-	-	-	15,362,980	-	15,362,980
Public Safety	-	-	-	-	56,732	56,732
Asset Seizure	-	-	-	-	13,447	13,447
Grants	-	-	-	-	2,177,478	2,177,478
Housing	-	-	201,659	-	6,066,823	6,268,482
Solid Waste Management	-	-	-	-	615,774	615,774
New River	-	-	-	-	121,036	121,036
Parks and Recreation	-	-	-	-	256,737	256,737
Streets	-	5,272,554	-	-	2,669,972	7,942,526
Library	-	-	-	-	81,084	81,084
Parking Lot Acquisition	-	-	-	-	454,255	454,255
Capital Projects	-	-	-	-	1,546,825	1,546,825
Total restricted	2,036,776	5,272,554	201,659	15,362,980	14,060,163	36,934,132
Unassigned	4,791,630	-	-	-	-	4,791,630
Total unassigned	4,791,630	-	-	-	(371,996)	4,419,634
Total fund balances	$ 6,831,230	$ 5,272,554	$ 201,659	$ 15,362,980	$ 13,690,018	$ 41,358,441

Note 17 – Prior Period Adjustments

A. Government-Wide Financial Statements

During the year the City recorded a prior period adjustment in order to record capital lease assets that were not previously record.

The City also moved Solid Waste Collection from an enterprise fund to a special revenue fund.

The effect of the adjustment on the Government-Wide Statement of Activities and Changes in Net Position is as follows:

	Governmental Activities	Business-Type Activities
Beginning Net Position, as previously reported	$ 64,138,630	$ 46,200,331
Prior period adjustment:		
Fund transfer from business-type to govermental activities	611,909	(611,909)
Add: Machinery and equipment	946,300	-
Less: Capital lease obligations	(946,300)	-
Net prior period adjustments	611,909	(611,909)
Beginning Net Position, as adjusted	$ 64,750,539	$ 45,588,422

B. Governmental Fund Financial Statements

During the year the City recorded a prior period adjustment to move long-term claims payable from the General Fund to long-term debt recorded in the Government-Wide Financial Statements.

	General Fund
Beginning Fund Balance, as previously reported	$ 5,897,101
Prior period adjustment:	
Add: Claims payable moved to Government-Wide long-term debt	762,646
Net prior period adjustment	762,646
Beginning Fund Balance, as adjusted	$ 6,659,747

APPENDIX F

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority does not take any responsibility for the accuracy thereof. The Authority gives no assurances that (i) DTC, the Direct and Indirect Participants or others will distribute payments of principal, premium (if any) or interest with respect to the Bonds paid to DTC or its nominee as the registered owner, to the Beneficial Owners, (ii) such entities will distribute redemption notices or other notices, to the Beneficial Owners, or (iii) an error or delay relating thereto will not occur.

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.

DTC, the world's largest 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 Standard & Poor's rating: 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 the 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.

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 issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMD Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 the 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 Authority 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 Authority or the Trustee, 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 Authority 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 Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered in accordance with the provisions of the Trust Agreement.

APPENDIX G

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

Form 500NY (5/90)

SPECIMEN

AGENDA ITEM

10

AGENDA STAFF REPORT

DATE: September 16, 2014

TO: Mayor and City Council

APPROVED BY: Richard N. Warne, Interim City Manager

PREPARED BY: John T. Quinn, Finance Director

SUBJECT: **Resolution Adopting the Fiscal Year 2014-15 Final Annual Operating Budget and Capital Improvement Plan for the City of Calexico**

==========

Recommendation:

Approve Resolution No. ___ Adopting the Fiscal Year 2014-15 Final Annual Operating Budget and Capital Improvement Plan for the City of Calexico.

Background:

The proposed budget was presented and reviewed by the City Council at its September 2, 2014, regular meeting. In addition, the public was invited to provide comments about the budget and each Council Member added their comments.

The budget preparation process was difficult in an environment that is challenging to the City in overall economic terms and in City Government operational terms. In spite of the many obstacles the budget is balanced and there are many positive areas that should please the Council and staff alike.

The budget is balanced in the true revenues equal expenditures sense, but also in a manner that provides funding to a broad array of activities and programs that has not been seen for many years in Calexico.

Discussion & Analysis:

The budget document is organized to provide more information that will help the Council in its deliberations over funding and program priorities. There are sections added that can assist the decision-making process such as new or recent legislation that could affect Calexico; a broader discussion of economic conditions; and, more schedules and charts for easier comparison and understanding of the magnitude of the City's funding issues.

As mentioned earlier, the budget is balanced and **all** the City's funds are presented so the Council can see a complete picture of the City's debt, capital investments, loans

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receivable and other financial data that may not be strictly annual revenue and expenditure related. The added sections are also in conformance with best practices as promulgated by the Government Finance Officers Association (GFOA).

Fiscal Impact:

Please see the proposed budget and specifically the City Manager's Budget Overview for a thorough discussion of the fiscal impact.

Coordinated With:

The Council, staff and citizens who helped make this a collaborative effort.

Attachments:

- Resolution No. ___ Adopting the FY2014-15 Final Annual Operating Budget and Capital Improvement Plan for the City of Calexico.
- FY 2014-15 Final Annual Operating Budget and Capital Improvement Plan.

RESOLUTION NO. _____

A RESOLUTION ADOPTING THE FISCAL YEAR 2014-15 FINAL ANNUAL OPERATING BUDGET AND CAPITAL IMPROVEMENT PLAN FOR THE CITY OF CALEXICO

The City Council of the City of Calexico does resolve as follows:

SECTION 1: The City Council finds and declares as follows:

A. The City Council has reviewed the proposed final Annual Operating Budget ("Budget") and Capital Improvement Plan for fiscal year 2014-15;

B. The Budget is based upon appropriate estimates and financial planning for the City's operations and services;

C. The City Council held a public meeting on September 16, 2014 to review and consider adoption of the proposed budget and Capital Improvement Plan;

D. All procedural requirements for adopting the City's budget were fulfilled and the City Council was fully informed regarding the City's current finances, projected revenue, and financial obligations; and

E. It is in the public interest for the City Council to adopt the Budget and Capital Improvement Plan as proposed by the City Manager, subject to the completion of any meet and confer obligations with the City's unions.

SECTION 2: **ADOPTION**. The Budget and Capital Improvement Plan attached to this Resolution, and incorporated by reference, is approved and adopted subject only to the authorizations set forth below and subject to completion of any meet and confer obligations with the City's unions. Such approval and adoption includes, without limitation, the City of Calexico Staffing Census in section 2 entitled "City of Calexico Organization", which recognizes existing classifications and removes unused classifications.

SECTION 3: **GENERAL FUND BUDGET APPROPRIATIONS**. The City Manager, or designee, is authorized to implement the appropriations as shown and described in the budget attached to this resolution and referenced herein for City Departments identified in section 7 entitled "General Fund Revenues and Department Budgets"

SECTION 4: **MISCELLANEOUS FUND APPROPRIATIONS**. The City Manager, or designee, is authorized to implement the miscellaneous appropriations for the Water Enterprise, Sewer Enterprise, and Airport Enterprise, and other special funds as detailed in the attached budget.

SECTION 5: **CIP APPROPRIATIONS**. The Capital Improvement Projects are appropriated in the attached budget and shown in summary form in section 9 entitled "Capital Improvements Plan". The City Council will consider new capital improvement projects for fiscal year 2014-15 as funds become available.

SECTION 6: **OVERHEAD**. The City Manager, or designee, is authorized to apply Cost Allocation and overhead using a cap amount and percentage overhead rate.

SECTION 7: **REAPPROPRIATION**. The City Manager, or designee, is authorized to reappropriate any unused appropriations for special projects, and grant programs at the close of fiscal year 2013-14 for the attached budget.

SECTION 8: **OPERATIONS RESERVE FUND**. The City Manager, or designee, may appropriate any remaining revenues at the close of fiscal year 2013-14 into the applicable operations reserve fund effective on July 1, 2014.

SECTION 10: **AUTHORIZATION.** The City Council authorizes the City Manager, or designee, to take all appropriate action to implement this Resolution. Further, the City Manager, or designee, is authorized to make technical corrections to the attached budget that may be required to correct clerical errors, mathematical errors, or other, similar, matters identified by the City Council, City Manager, or designee.

SECTION 11: **BUDGET ADJUSTMENTS**. The Budget may be subsequently adjusted as follows:

A. By majority vote of the City Council;

B. By the City Manager, or designee, for all appropriation transfers between programs and sections within a City department and between appropriation units (e.g., salaries and benefits, services and supplies, and capital outlay) within programs;

C. By Department Directors for appropriation transfers between appropriation units within programs;

D. Object code expenditures within appropriation units in a program are not restricted so long as funding is available in the appropriation unit as a whole.

SECTION 12: **CERTIFICATION.** The City Clerk is directed to certify the adoption of this Resolution; record this Resolution in the book of the City's original resolutions; and make a minute of the adoption of the Resolution in the City Council's records and the minutes of this meeting.

SECTION 13: This Resolution will become effective immediately upon adoption and will remain effective unless repealed or superseded.

PASSED AND ADOPTED September 16, 2014.

_____

John Moreno, Mayor

ATTEST:

_____

Gabriela Garcia, Deputy City Clerk

APPROVED AS TO CONTENT:

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Richard N. Warne, Interim City Manager